

China and Globalization

Henry Huiyao Wang
Mabel Lu Miao *Editors*

China, New Geopolitics and Global Governance

CCG Global Dialogues

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CENTER FOR CHINA & GLOBALIZATION

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Introduction

A Humpty Dumpty Moment

Henry Huiyao Wang and Mabel Lu Miao

Our previous collection of dialogues began with the hope of a “Pale Blue Dot” moment, harkening back to the Voyager-1’s image of our world from space taken in the 1990s, a reminder of the preciousness of our world and the oneness of humanity. It was our hope that by referencing that moment in history, our readers and the wider community would be encouraged to heed the lessons of history and attempt to build a consensus that would benefit all peoples, all nations and all governments.

Yet since COVID, turbulence has yet to relent. We have entered uncertain, unstable times, with symptoms ranging from a return to interstate war and paralysis in global governance to major economic and political realignments. The pace of events seems only to be accelerating, surpassing even the already heightened baseline of our interconnected and deeply globalized world.

Instead, we observe the unfortunate continuation of fractious trends, whether it’s outright ongoing conflict as in Ukraine, and Sudan. Or the persistent frictions that continue to haunt the world’s most important bilateral relationship between China and the United States.

While the world continues to explore solutions to these and other pressing issues, we can’t help but feel like we are facing a different moment, which we feel is appropriately described using the classic American children’s story “Humpty Dumpty”. As with all children’s stories, Humpty Dumpty comes with an important moral lesson, that the consequences of carelessness cannot so easily be reversed. And like the main character in the story, the current international order is teetering on the edge, waiting to see if it will fall off the wall and, if it does, wondering if and how we can put it back together again.

Today the story of that egg, fragile and delicate, perched atop a high wall is a perfect allegory for the state of today’s global world order. Built over the past 80 years since the end of the Second World War, the current international system has maintained relative global peace and prosperity, perhaps not in the most equitable manner, nor as effectively as it could be— yet successfully enough that the systems and values associated with this system, whether it be the United Nations and its mission to avoid and resolve global conflicts, or the Bretton Woods system that sought to stabilize the global economy and provide standards and practices were placed on a pedestal and became the default.

Thus these institutions and systems remain central to the current world order,

they have also become rigid, stratified, and perhaps most worryingly have been undermined in the face of a world that has changed and continues to change. Countries across the world, from P5 Security Council members to the countries across the global south have highlighted a pressing need to make them “fit for purpose” once more and ensure that they are capable of addressing pressing global issues in a way that is equitable and includes a wider range of countries in the process.

Creating a Wider Base

From China’s perspective, the rise of the Global South is a reality that cannot be ignored. The increased influence of countries that weren’t on the global radar in 1945, including many that didn’t yet exist, is perhaps one of most fundamental shortcomings of the current ordering of the international system. The economic development and political clout of these countries, whether individually or in various associations and organizations, is something that must be addressed.

Foundational institutions such as the UN, the IMF and World Bank, are still controlled by a minority of states from the developed world or Global North, which means that countries in Africa, Asia and South America find it difficult or impossible to influence the overall course of global events. This is perhaps most poignant in the United Nations where resolutions are passed by the majority of the members in the General Assembly with the exception of countries like the United States, Russia and China, while the important decisions that should be made the Security Council are often dismissed by a single veto vote. This has rendered this most central of global institutions ineffective and gridlocked.

In light of this paralysis and in conjunction with the gradual shift of economic gravity and power southward China and a number of other countries have been calling for major changes to the United Nations to ensure that it once again serves its original purpose of maintaining global peace and providing a platform through which countries can resolve issues through diplomatic means. While progress has been slow, the voice for such a change is there and becoming louder. With the many cross-border issues that face the world today, change is inevitable and should include as many nations as possible in the discussion.

However, changes in the global system are not limited to the United Nations. It is also coming in the form of new and innovative regional institutions that have been formed by countries outside the traditional global powerbase in Europe and North America. Organizations like ASEAN, the African Union and the Shanghai Cooperation Organization are leaner, more focused organizations that enhance regional stability by addressing issues that are most urgent for member states. Furthermore, these organizations work in conjunction with and in support of the United Nations, taking their mandates and standards from existing UN principles and precedents. While their founding may have been spurred by a lack of representation and space in the existing international system, it is by no means

a replacement of or alternative to the existing global structure.

In today's increasingly fragmented world, it is often the developing world and nations in the Global South that are the staunchest supporters of the current global system, and those trying the hardest to keep Humpty Dumpty from falling off the wall. Meanwhile, developed countries, mostly the United States, seem to be working to systematically undermine the very system they built by withdrawing from agreements and creating impediments to established processes when it doesn't suit their immediate interests.

Understanding a World in Flux

During the pandemic, statements from Washington, Westminster, the World Bank, the WHO, and other major institutions routinely opened with variations of "we are living in unprecedented times." The phrase became as ubiquitous in English as "profound changes unseen in a century" and "the pandemic of the century" were in Chinese policy discourse.

Yet as the pandemic fades into memory, its defining turbulence has not truly receded. The ongoing war in Ukraine, the tenuous calm settling over the Gaza Strip, renewed geopolitical competition, and deepening fractures in global governance all remind us that the world has not returned to stability. We are entering a period in which uncertainty is not an anomaly but the defining condition of global affairs.

At the same time, it is impossible to ignore that discussions about China in many parts of the world have increasingly been shaped by anxiety and politicization. Much of this stems from a perceived opaqueness surrounding China's intentions and institutions, as well as broader uncertainty about global power shifts during a period of rapid change.

Against this backdrop, the Center for China and Globalization (CCG) has intensified its mission of dialogue, bridge-building, and global engagement. From the height of COVID-19, when much of the world's diplomacy moved online, CCG launched a sustained dialogue push bringing together policymakers, scholars, executives, and thought leaders to understand their perspectives on a rapidly changing world. Over the past five years, CCG has conducted more than one hundred such dialogues. What follows are more than fifty of the most substantive and illuminating conversations.

The momentum of global shifts and the inevitability of continued change cannot be ignored. Forums such as the 61st Munich Security Conference which we personally attended as the only representatives from Mainland China remain essential spaces for shaping consensus and building trust. So too are direct channels between major governments, as seen in the recent summit between Presidents Trump and Xi in Busan during the APEC meeting, a moment with renewed "G2" opportunity and where both countries expressing a desire to stabilize relations.

Major powers such as China, the United States, Russia, and the European Union will continue to hold divergent views, and these differences will not disappear overnight. But change is unavoidable. Our responsibility is to guide that change collectively, rather than allow misunderstanding and inertia to steer it for us.

These shifts have brought the world to a crossroads. The choice before us is not one of simplistic binaries or ideological camps. Global institutions—the United Nations, the World Bank, the Bretton Woods architecture, and the World Trade Organization—stand in need of deep and complex reforms. These reforms have begun but remain incomplete, uncertain, and politically fraught.

For years, CCG has sought to foster communication and to cultivate an atmosphere of constructive, candid, and forward-looking dialogue. One of our core missions is to ensure that these conversations—and the ideas they generate—are shared with a wider global audience. Our first collection of dialogues, *Understanding Globalization, Global Gaps and Power Shifts in the 21st Century* (2022), brought together ten prominent conversations exploring how globalization is evolving and how shifts in power are reshaping the future.

This new volume presents more than fifty selected dialogues from the more than one hundred conducted over the last five years. Most feature CCG's founder and president, Dr. Henry Huiyao Wang, engaging with a wide range of perspectives that we hope will spark new ideas, bring about better understanding, and inspire deeper international conversation.

CCG has worked intentionally to ensure that our participants come from across regions, sectors, and disciplines. Guests have included senior government officials, business leaders, diplomats, academics, and civil society figures from nearly every continent. Exchanging them openly creates understanding. And understanding, in turn, creates the conditions for cooperation.

Among the distinguished contributors to these dialogues are former WTO Director-General Pascal Lamy; María Fernanda Espinosa Garcés, former President of the UN General Assembly; former Spanish Foreign Minister Arancha González; former UK Commercial Secretary Lord Jim O'Neill; and ambassadors such as Kishore Mahbubani of Singapore, Wolfgang Ischinger of Germany, and Gordon Grlić-Radman, now Croatia's Minister of Foreign and European Affairs.

From the business world, we have welcomed Ray Dalio, founder of Bridgewater Associates, and Ronnie C. Chan, chairman of Hang Lung Properties. Academia has been represented by leading thinkers including the late Harvard professor Joseph S. Nye Jr., Graham Allison, and Jeffrey D. Sachs. From the global think-tank community, participants include C. Fred Bergsten, Richard Haass, John Hamre, Edwin Feulner, and Henry Paulson, among many others. These conversations have revealed differences, sometimes profound, but also areas of emerging consensus. They remind us that while divergences attract attention, common ground does exist and can be widened through sustained engagement.

The purpose of this collection is to extend that process to all readers.

Part I—Adapting to a Changing Geopolitical Environment

This first selection of dialogues focuses on how the world is attempting to adapt to continuing global changes and ensure continued geopolitical stability. While a major focus is US-China relations, which have a decisive and unavoidable impact nearly every aspect of global governance and decision making, there is also considerable discussion on the options for developing relations and solutions with countries other than the United States including Europe and China's Asian neighbors.

Shifting Sands

The underlying currents of change had been moving for some time before the Covid-19 pandemic —increased economic power and independence in developing countries, increased migration; especially by refugees, into developed countries, changing their demographics and sociopolitical tendencies; breakthroughs in emerging technologies that no longer come exclusively from Silicon Valley and Western research centers—these are just a few of the drivers of the friction that has now become commonplace between nations. However, it was the temporary break in the momentum of globalization that brought these to the surface and prompted moves toward reshoring, friendshoring and other protectionist measures in the economic sector as well as political and security alliances that have been established along ideological and geopolitical lines.

It is these shifts in global power structures that are the focus of the first four dialogues in this section, examining the causes and implications of China's rise to power and the perceived threat that this poses for the United States. The resulting shift in great power relations that almost didn't exist as little as a decade ago have had a significant impact on relations across the Pacific, prompting talk of a Thucydides Trap situation and other potential conflicts.

In the first dialogue in this section, Henry Huiyao Wang and Jeppe Kofod discuss the rapidly evolving geopolitical changes that the world currently faces. Having served as the Minister of Foreign Affairs of Denmark and holding a degree in Public Administration from the John F. Kennedy School of Government, Mr. Kofod has unique insights into the geopolitical changes occurring in the world today, especially with regard to the United States, which has made ludicrous territorial claims over Greenland, a self-governing part of Denmark. He also goes on to discuss the future of Ukraine, the role of the United States in that conflict, as well as the contributions to be made by European nations and even China in ending the war, before moving on to potential cooperation between Europe and China, particularly in green technologies where China has made considerable advances.

The next two dialogues are with Graham Allison and focus on the Thucydides

Trap. While the topic is the same for both, the approach and context of both discussions are unique in their perspective on this unique phenomenon in US-China relations. As one of the leading scholars in the United States on China with experience with the inner workings of government, Allison provides a unique and valuable perspective on US-China relations.

The first dialogue was held on at Munich Security Conference's "Author Reading" event on Henry Huiyao Wang's edited volume *Escaping Thucydides's Trap: Dialogue with Graham Allison on China-US Relation*, which focuses on the tense and potentially volatile relationship between the world's two largest economies. The Thucydides Trip, which alludes to the conflict between the established power, Sparta, and a rising Athens, and erupted into war, has been used to describe the current situation between the United States. However, while Professor Allison believes there is the real danger of war between the US and China, he recognizes that there is room for negotiation and resolution.

The second dialogue was held at the release of *Escaping Thucydides' Trap: Dialogue with Graham Allison on US-China Relations*, which emphasized that there is still hope that the US and China can reach an amicable balance in their relations and avoid the Thucydides Trap, emphasizing the inextricability of the US-China relationship and the possibility of working in the spirit of Henry Kissinger, who was able to broker a deal between the US and China when relations were at their lowest.

The next dialogue in this section is between Henry Huiyao Wang and Joseph Nye Jr., taking specific focus on how changes on a global level and the discussion of relations between the US and China are now talked about in terms of "great power" relations, wording that had previously been reserved for the US, Europe and the former Soviet Union. Known as the father of the concept of "soft power", Professor Nye also examines the exchanges between these two great powers not only in the context of economic, political and military might, but also how their cultural and social reach has changed in recent years.

A Path Forward

The next dialogues turn the focus towards solutions and finding a way to move US-China relations in a positive direction. From finding common ground to ensuring that the portents of the Thucydides Trap do not become reality.

This section begins with a dialogue that brings together Henry Huiyao Wang and Ravi Agrawal, Editor-in-Chief of Foreign Policy, for a wide-ranging discussion on the pressures facing the international system, prospects for reform rather than rupture and the realities of a more fragmented, multipolar world. Specific topics include the paralysis afflicting multilateral institutions such as the United Nations and the Bretton Woods system, global challenges, including climate change, the Russia-Ukraine war, the impact of Trump and his tariffs, as well as a discussion of the history of the Second World War more broadly.

In a dialogue with Henry Huiyao Wang, Susan Thornton and Douglas Paal,

the idea of establishing a floor in US-China relations is explored, attempting to find common ground to stop the freefall that this most consequential of relationships seems to be experiencing. While so much of the focus is on negative aspects of the friction between the US and China, positive interactions like work on climate change and the way that the “balloon incident” were handled during the Biden administration show that there are areas in which the United States and China can meet in the middle and establish a floor on which better relations can be developed.

Similarly, the next conversation between Henry Huiyao Wang and Ray Dalio, founder of Bridgewater Associates, focuses on possibilities of the economic angle of the US-China relationship in a post-pandemic world. Using Ray’s decades of experience in China as a mirror, the discussion focuses on US-China relations in the context of debt cycles that ebb and flow, taking a relatively long-term view on how this relationship has gotten better and worse over the years.

US-China Relations in a Multipolar World

Turning back to US-China relations, these next few dialogues take a different view, looking at this all-important relationship in the context of an increasingly multipolar world as opposed to the bipolar or unipolar context of the past.

Starting with the United States’s recalibration of its global posture under a second Trump administration, Henry Huiyao Wang is joined by Peter Trubowitz, to examine longstanding assumptions about American leadership, alliance structures, the future of the rules-based international order and the strategic logic that underpin Washington’s evolving foreign policy. They discuss three possible interrelated trajectories, a US market and security rebalancing strategy, the US consolidating influence within the Western Hemisphere, And a G2 mechanism. Whilst also engaging on topics ranging from Taiwan to the outlines of a new US-China détente.

The transition from Donald Trump’s first presidency to his second has reintroduced uncertainty into China–US relations while also reopening debate about the underlying drivers of competition and cooperation between the world’s two largest economies. In this dialogue, Henry Huiyao Wang is joined by Professor Suisheng Zhao, to examine what he characterizes as a “prolonged crisis” in bilateral relations, one shaped less by structural tensions spanning trade, security in both the Pacific and Europe, ideology, and domestic politics on both sides. Moving beyond headline disputes, the discussion explores how Trump’s transactional approach, evolving attitudes toward ideology, and emphasis on economic leverage are reshaping the strategic environment, even as deterrence and interdependence constrain the possibility of outright conflict. Set against the backdrop of shifting global alignments and contested regional flashpoints, the conversation highlights both the risks and limited opportunities that may define China-US relations during the Trump 2.0 era.

In the following dialogue, Dr. Henry Huiyao Wang is joined by Edwin J.

Feulner and Walter Lohman to discuss a range of issues related to US-China relations, including regional politics, economics and trade, as well as security concerns on both sides of the Pacific.

In the next dialogue, we examine possibilities of how the United States and China could co-exist in a world, each on their own terms. This discussion, between Henry Huiyao Wang, Graham Allison and Leo Liu, look back and cases for improvements in US-China relations, beginning with Nixon's initial visit, before moving on to potential areas of cooperation such as infrastructure and tech, where China and the US could emerge as rivals or as partners.

One precondition for a functioning multipolar world, however, is finding common ground, especially between the world's two largest economies and currently biggest rivals—the United States and China. In this next dialogue between Henry Huiyao Wang, Da Hsuan Feng and Zhiquan Zhu, special focus is placed on the long-term adjustments being made to US-China relations and how their fundamental differences, both systemic and cultural, making finding common ground relatively difficult. However, the potential for economic and developmental partnerships is still considerable if these differences can be navigated carefully and ably by those in power.

The next dialogue provides a potential solution for finding this balance and maintaining it over the long-term—a “secretariat solution”. In a discussion with Henry Huiyao Wang, Stephen S. Roach, a Senior Fellow at Yale University's Jackson Institute of Global Affairs, suggests establishing a full-time office to house a “secretariat” in a neutral country where representatives from the United States and China can keep the pulse of events in both countries and discuss important issues on a daily basis. This could help to avoid potential crises and smooth the way forward to increased stability, not only for the two countries, but the world as a whole.

China and Europe

Turning away from the United States for a moment, the next two discussions take a closer look at Europe, the conflict in Ukraine, and China's current and potential roles in this context.

In a dialogue with Niall Ferguson and Henry Huiyao Wang, we examine the historical context of relations between China, Europe as well as the United States in terms of changing relations, especially against the backdrop of the war in Ukraine. Niall's concept of “Chimerica”, a term that encapsulates the closeness of the US-China relationship, brings into greater focus the importance of Europe as an alternative as relations between these two countries becoming increasingly fraught with tension and potential conflict.

Next, a conversation between Henry Huiyao Wang and Wolfgang Ischinger, former German Ambassador to the United States and President of the Munich Security Conference, explores the intersection of diplomacy and business specifically between China and Germany and the rest of Europe. In an

increasingly multipolar world, it is becoming increasingly important that Europe step up and play a more independent role vis-à-vis the United States, exploring development opportunities outside the traditional trans-Atlantic sphere.

The Asian Century

As the locus of global power shifts towards the Global South in General and Asia in specific, understanding the position and coming future of Asia and its implications for the world has become more critical than ever.

And there are few places better to start than with Kishore Mahbubani, a successful diplomat turned famed academic, he is among the most prominent voices in the area, as he describes what is less a rise than the restoration of Asia's position at the centre of the global influence and the global economy. The dialogue covers Mahbubani's position in witnessing Fukuyama's "End of History" through to how the West fell asleep as Asia began its "restoration" to its historic position at the center of world affairs before ending on the importance of US-China relations.

The next dialogue focuses on the rise of Asia and its impact on a creating a more multipolar world. With a host of participants, including Kishore Mahbubani, Kent Calder and Kerry Brown, Henry Huiyao Wang leads this discussion, focusing on the position of Asia in an historical context and how its more recent rise, or "restoration", impacts the current world order and power structure, ranging from economics and practical development to concepts of ideology and even democracy, and how Asia may changing the narrative in the coming decades.

Lessons from History for the Future

History is a mirror that should be visited often. It provides perspective and reminders of past mistakes as well as successes, this is especially true in the case of US-China relations, which have gone through a number of challenges, but have always been considered essential in maintaining a stable, prosperous world.

The next two dialogues are with representatives of centers established by two former American presidents—Jimmy Carter and George H.W. Bush. Both presidents brought distinctive China experience and chose to engage China as a country and as a people regardless of the ideological, systemic and political differences that existed between their two governments.

In a dialogue with Paige Alexander and Liu Yawei, Henry Huiyao Wang explores the legacy of President Jimmy Carter, his experiences with China, his policies and later the efforts of The Carter Center in promoting cooperation and partnership between the US and China to resolve conflicts, improve public health and deal with global development issues. Jimmy Carter's legacy of engagement and cooperation is one that is most valuable today as the United States and

China deal with a global environment that is trending toward protectionism and decoupling.

The next dialogue is with Neil Bush and David Firestein from the Bush China Foundation, in which Henry Huiyao Wang explores the experiences and interactions of George H.W. Bush with China and the unique role of the Foundation in promoting improved US-China relations. Looking back a full fifty years, the experiences of Bush the younger in China gave him a unique perspective and affinity for the Chinese people, which inspired him to work to improve relations between the two countries despite the clear differences that they face. During their discussion, Neil and David also share their own experiences and understandings in their work with the Foundation that provide inspiration and a point of reference in looking for future areas of cooperation.

One of the realities of this complex world, despite the recent trends toward decoupling and regionalism, is that we are intensely interwoven, especially in the case of China and the US, as highlighted previously by Niall Ferguson and his concept of ‘Chimerica’. The new realities of US-China relations in this interwoven world are visited once again with Susan Thornton and Ronnie Chan, both incredible experts on China and the US that, despite their opposing perspectives, come to a surprising consensus on which issues can serve as common ground for a more stable and productive relationship between the two countries.

The final dialogue in this section, between Henry Huiyao Wang, Anthony Saich and Tian Ye, poses a question— “quo vadis” —whence will we go? The future of China-US relations is unclear and uncertain, but it is precisely questions like this that must be asked if we are to proceed forward. The consensus reached in this conversation is that trust must be built, which requires engagement on the part of both sides.

Part II—Managing Global Economic Uncertainties

The second section focuses in on economic uncertainties that have emerged as a result of the instability in the geopolitical level as well as leftover effects from the Covid-19 pandemic. This section also touches on the impact on smaller countries and the challenges they face in maintaining economic growth amid challenges ranging from trade tariffs to climate change.

The Overall Outlook

Despite pessimism in the overall outlook for the global economy in the post-pandemic era, there are many working toward solutions that will take the world into a new phase of globalization to ensure that we continue to reap the benefits of free trade and development economics.

In the first dialogue of this section, Henry Huiyao Wang and Barry

Buzan, Emeritus Professor of International Relations at the London School of Economics, discuss topics of liberalism versus realism, the impact of technology on globalization and the transition to a more multipolar world, and ultimately the impact that these have on the current uncertainties facing the global economy.

The next dialogue is between Henry Huiyao Wang and Martin Wolf, who discuss their views on current economic trends in a world that, at least in the near- to medium-term will remain tightly integrated. They touch on regional shifts and how they impact globalization, the transition to a more multipolar world and the impact on the global economy, as well as specific issues like elections in the UK and the continued impact of Brexit on the regional economy in Europe and the potential spillover effects on trade between China and the EU.

Finally, Mike Hong Liu, an executive with over thirty years of experience in cross-cultural leadership in the tech sector, and Aaditya Mattoo, Chief Economist for East Asia and the Pacific Region at the World Bank, focus on how trends toward protectionism, especially among many developed economies, impact the world. They begin by exploring the causes for protectionism and then expand to discuss the possibilities of cooperation through regional trade agreements like the CPTPP and the RCEP, among others.

Making Trade Work

Trade remains at the core of US-China relations and should decoupling and protectionism truly become the new normal, it could have repercussions not only for the economies of the United States and China, but the entire world, and possibly even result in further instabilities in the geopolitical sphere. This is the topic of the first dialogue in this section between Henry Huiyao Wang and Pascal Lamy. They re-imagine the international trading system as the world looks to a new era of globalization, discussing topics ranging from climate change and the digital economy, the need to regulate and set standards for AI and the continued difficulties facing the WTO.

The next dialogue in this section between Dr. Wang and Arancha González Laya. In this discussion, they discuss the future of globalization and how to find a balance that means sustainable development in terms of both climate change and trade development. They also bring up the concept of megaregions and new models of globalization that may result from this new trend, especially in terms of stronger relations between China and Europe.

The Economics of US-China Relations

Coming back for a look at connections through trade, we begin with the world's two largest economies. It is undeniable that both the United States and China sit at the center of many of the largest global questions and uncertainties of our time, but it is also here that there is the greatest potential for resolving current issues. In the next dialogue, we take a closer look at US-China relations in the context of

global economics.

In the first of these dialogues, between Henry Huiyao Wang and C. Fred Bergsten, they discuss the question of what is next for global economic leadership as the US and China become increasingly at odds with each other. As the world's largest economies, they are, by default, leaders and should find cooperative ways to lead the world forward, but they also suggest that there are certain advantages to functional decoupling as long as economic development and the livelihood of the global population are put ahead of geopolitical differences.

Turning back to the United States and China, the issues facing the global economy and how these issues affect Sino-US relations is dealt with directly in this next dialogue between Larry Summers and Henry Huiyao Wang. Having served as Secretary of the Treasury, President of Harvard University and Chief Economist of the World Bank, Professor Summers has an authoritative view on this topic. He addresses the challenges of post-Covid economic recovery and the possibility of “coopetition” as a new model for US-China relations, allowing for areas of cooperation as well as competition.

Next, Henry Huiyao Wang and Stephen S. Roach examine the implications of changes in the global economy on China specifically, focusing in particular on China's transition to high-quality growth and the new sources of that growth as part of overall economic policy. He also brings up a topic we've met before—the idea of a US-China secretariat to ensure timely and effective communication and coordination between these two massive economies.

Economics Incentives and “Bilateral + Multilateral” Cooperation

Globalization has been an overall boon for the global economy and especially for developing nations. One of the biggest beneficiaries of the current stage of globalization has been China, but other rising beneficiaries include ASEAN nations, BRICS nations as well as many African economies. In this time of uncertainty and change, it is imperative that we ensure that globalization and global trade continue to ensure prosperity for both people and the planet.

In the first dialogue of this section, Henry Huiyao Wang meets with Estonia's Minister of Foreign Affairs to discuss Estonia's relations with China in the context of its EU membership, the war in Ukraine and the possibilities of increased trade and person-to-person ties between China and Estonia. Their discussion also touches on the practical contributions that smaller nations can bring to finding solutions to global issues.

In the following dialogue, H.E. Gordon Grlić-Radman and CCG President Henry Huiyao Wang explore the history of Europe's relations with China and the wider Asian region, current exchanges as well as Croatia's unique role in this context.

Next dialogue comes with Peter O'Neill, the former Prime Minister of Papua New Guinea, who discussed his country's unique experiences. An ethnically and resource diverse island nation, Papua is uniquely qualified to speak on behalf of smaller nations that feel the repercussions of moves by larger nations very

acutely. Whether it is tariffs or changes in the global climate, these countries are susceptible to even the slightest of changes. However, they can also benefit greatly from working within the global economic context to improve their standard of living, which has been Papua's experience in its trade relations with China.

In the next dialogue, while the country is larger, the potential for mutual benefit is equally as deep. Here, Henry Huiyao Wang meets with Marcos Galvão, the Brazilian Ambassador to China, to discuss not just the current state of Brazil-China relations but also the potential for taking this relationship to the next level in light of the increasing importance of BRICS as well as the unique strengths of both Brazil and China as two of the world's most advanced developing countries in leading positive change for a more multilateral and fair world.

Slightly closer to home for China, we focus on an old friend—Pakistan—in a dialogue with the Pakistani Ambassador to China, H.E. Moin ul Haque. In this discussion, Henry Huiyao Wang and Ambassador ul Haque reflect on the strong relationship between their two countries, true brothers since they established relations 70 years ago. They also discuss the successes of the Belt and Road Initiative in Pakistan through the China Pakistan Economic Corridor as well as the potential for cooperation in bringing peace to troubled areas like Afghanistan and others further afield.

Next, we turn to perhaps not the biggest economic power in the world, but one of incredible size, resources and potential—Africa. In this dialogue, Henry Huiyao Wang and the Ambassador of Ethiopia to China, H.E. Teshome Toga Chanaka, discuss the historical connections between China and African nations as well as the similarities in experiences, emphasizing that China has a great deal to share with Africa, while Africa has a great deal to offer China as well as the rest of the world.

Newly Emerging Regional Forces

The last two dialogues in this section focus on the role and influence of newly emerging regional organizations and agreements. These regional forces are sometimes more agile and better equipped to address issues unique to a specific region, especially for countries in the Global South.

Beginning with the BRICS organization and its impact on globalization over the past two decades, we have Henry Huiyao Wang, Jim O'Neill and Leslie Maasdorp discussing how this organization of mainly Global South countries has impacted the global economy. Beginning with the concept of BRICS when it was founded, to drive development in major emerging economies, its later development including the creation of the New Development Bank as well as the response of the organization and member countries to global crises like Covid-19 and vision for the future.

In the final dialogue of this section, we take a look at the Belt and Road Initiative and Build Back Better World, two initiatives with a similar goal, one

driven by China and one by the United States. Here, Henry Huiyao Wang and David Lampton examine the possibilities for collaboration as well as competition as the US and China clash over issues of ideology, security and economics.

Part III—Addressing Common Global Issues

The third and final section turns to how the world can address pressing global issues and the various solutions that are available if countries are willing to take action. From green technologies to innovative educational options and the role of think tanks and other non-governmental organizations in developing solutions for a more stable and prosperous world, it is clear that the solutions to the problems that the world is facing are there as long as we keep our minds and ears open.

Fundamental Issues and Challenges

One of the few areas of global consensus is on the urgency of controlling the changes happening in the climate, which is an issue that impacts all countries equally, from the coastal cities of major developed countries to small island nations that could potentially disappear from the face of the earth.

In the first discussion of this section, Dr. Mabel Lu Miao is joined by María Fernanda Espinosa Garcés, to discuss the inclusive leadership in global governance, especially the role of women in global governance, which is a very timely topic and touches on the role of women in international institutions and organizations.

In the second discussion, Henry Huiyao Wang and Adam Tooze look at China's role in the global green transition from an historical perspective, from China's development model to the innovations it has made in green technology and the impact that has had on the world. In one sense, China's abundant, cheap green-tech offerings could be said to be "subsidizing" a world in need of such products, while some countries claim unfair trade practices and dumping by China in this sector.

The next dialogue deals with another emerging area—artificial intelligence. It is as yet unknown what AI will become and how it will impact our lives over the long term, which creates fundamental questions on how to regulate it on a very basic level. Here, Henry Huiyao Wang and Gabriela Ramos explore some of the current best practices in regulating AI and how development, governance and AI can find a balance point.

In the next dialogue, Henry Huiyao Wang and Ebrahim Osman-Mowafy examine a more tenuous topic, examining fundamental issues related to China, from its unique brand of democracy, to how it is dealing with Trump's tariff war and fundamental misunderstandings about China. The fundamental issue here is ensuring that the world has a factual and objective understanding of China and its current situation that is not colored by traditional bias or preconception.

The Importance of Learning and Education

The upcoming dialogues all deal with the issue of learning, the foundation for increased understanding and open communication. Whether it is formal education through universities and other educational programs, or academic exchange and interaction that promote the exchange of ideas or even create new ones, the fundamental importance of learning and education is central to ensuring global sustainable global progress and prosperity.

The modern university is a model that has been adopted throughout the world and served to ensure that cross-border education and academic exchange is efficient and relatively unified across countries. Study abroad programs and academic exchanges of all kinds are essential to fostering mutual understanding and communication, which can help avoid conflicts before they begin.

In the first dialogue of this section, Henry Huiyao Wang and William Kirby discuss the origin, rise and fall of modern universities as well as the importance of exchange, not only in terms of practical application, but also in terms of promoting greater understanding between peoples and nations. Professor Kirby has worked specifically to encourage American students to study in China to better understand its history, systems and society, especially in these times of tension between the US and China.

Exchange comes in all forms, and in this next dialogue Henry Huiyao Wang and Jeffrey Sachs take on the roles of ancient philosophers Confucius and Aristotle, sharing their views of the world today from the perspective of the ancients. Moderated by Farah Nayeri, this discussion explores the roots of the differences between East and West at their most fundamental level, including core values and concepts of democracy and government, truly an exchange for the ages!

Moving on to a potential new age of exchange, the next dialogue features Henry Huiyao Wang, David Zweig and Mable Lu Miao and focuses on a effort by China to attract 50,000 American students, which was initiated by President Xi Jinping while visiting San Francisco for the APEC summit in 2023. A monumental task, but with potentially considerable returns for US-China relations as student exchanges and academic programs are core elements in improving and stabilizing relations between the two countries over the longer term.

Turning back to education, our next conversation looks at re-imagining global universities with innovative ideas that give students greater access to top institutions and better educational resources. David Qingzhong Pan and Noah Pickus delve into the new forms that truly global universities are taking, including opening campuses in other countries, exploring online options and bringing innovations to the structures and curricula of major universities around the world in order to provide students with greater advantages after graduation.

As we round out this section on education and exchange, we return to basics—ideas. Universities are, as William Kirby tells us, ‘Empires of Ideas’, which is also the title of his latest book. In this dialogue Henry Huiyao Wang and

Mr. Kirby explore the importance of universities, exchanges and the lessons they teach us, visiting the origins of the university in 19th century Germany, which later inspired top American universities and eventually became the standard for the world. They also reiterate the importance of exchange in the context of US-China relations, ensuring that people-to-people interactions are not interrupted by shifts in politics and geopolitical power plays.

Platforms for discussion to navigate storms of global discord

Increasing exchange and discussion to promote understanding and is essential in today's turbulent world, helping to avoid conflict, misunderstanding, and ensure peace and stability. With the exception of direct contact between the governments and leaders of United States and China, Europe, Russia, the Middle East or any number of countries and regions, exchange and dialogue relies greatly on organizations and forums to keep the channels of communication open. The 2nd track of diplomacy whether through universities, think tanks or other organizations is becoming increasingly important to finding a way forward.

Justin Vaisse is the founder of the Paris Peace Forum, and in his dialogue with Henry Huiyao Wang, he focuses on how the world can reach a higher level of convergence post-Covid on key issues that affect all countries. Part of the solution he suggests is increased people-to-people exchanges that foster new and creative ideas, including the Paris Peace Forum, the mission of which is to promote a more peaceful world and close the gap in global governance, bringing together all countries and peoples.

Another important promoter of exchange and dialogue are global think tanks, which not only hold forums and other events that bring key world thinkers, leaders and academics together, but also carry out important research that provide decision makers in both government and business with important information. In this next dialogue, Henry Huiyao Wang and Richard Haass of the Council on Foreign Relations, explore the contributions that think tanks have made in driving discussions on key issues and how they have become a feature of the modern academic and political ecosystem in a world that is constantly changing.

One of the major global issues that the world continues to grapple with is climate change, which is also an area in which think tanks and other organizations have made considerable impact. In this next conversation, Henry Paulson, Chairman of the Paulson Institute and the TPG Rise Climate investment platform, along with leading Chinese businessman and climate advocate, Mr. Wang Shi, discuss how non-governmental organizations have contributed to the 2030 agenda and sustainability can be maintained, while also working to promote increased cooperation between the two biggest economies and contributors to climate change—the United States and China.

Finally, Henry Huiyao Wang and John Hamre focus on the role of think tanks on American foreign policy. Mr. Hamre is President and CEO of the Center for Strategic and International Studies, one of the leading think tanks on US-China

relations and American foreign policy, and a long-term partner of the Center for China and Globalization. The United States and China must find common ground on key issues like climate change and infrastructure that ensure a stable and sustainable future for the world.

One of the deciding factors in finding this common ground is American foreign policy. As the United States turns inward and the “America First” policy grows in strength, its foreign policy will continue to shape the future of global geopolitics, especially in terms of great power relations vis-à-vis China, Europe and Russia.

Note on the Contents of This Book

This book is made up of edited transcripts of discussions that took place between August 2021 and December 2025 as part of the CCG Global Dialogue Series. For this book, they have been arranged thematically as described above rather than presented chronologically. Each transcript has been formalized and edited for readability, brevity, and clarity, and we have provided links to each dialogue for audience to watch the full length videos. It is worth noting that these dialogues were unscripted and free-flowing conversations; the views and opinions expressed by speakers are their own and do not reflect those of their affiliated organizations. By sharing the views of global thought leaders on some of the most important issues of our time, this book aims to help readers make sense of our changing world.

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Part I Adapting to a Changing Geopolitical Environment

Shifting Sands

Imagine the landscape of the Sahara, Taklamakan or any other great desert in the world – they are unpredictable and constantly changing. While there these changes are sometimes gradual, sometimes to the point of not being noticed, there are others that are more dramatic, sometimes revealing and sometimes concealing, but always irrevocably changing the overall landscape.

A similar dramatic change is occurring in today's geopolitical landscape, with a shift of power away from a traditional Eurocentric model, to a more diverse and multilateral power structure that is generally focused around Asia, which is, to a large extent, due to the rise, or rather what others have called the 'return', of China.

This change has inspired both excitement and concern for countries around the world. For the developing world, it has provided the possibility of greater agency and influence in geopolitics, but for established powers like the United States and European countries, it has created uncertainty that threatens the status quo, and therefore, their positions in the world. While China continues to assert that its rise is peaceful and it is willing to work within the current global framework, historical prejudices and considerable differences in terms of systems and values continue to make the world cautious what these changes have in store.

Discussions surrounding this shift in power have been dominated by references to a new model of "great-power relations" as the world transitions once again away from the uni-polar dominance of the United States and the lessons of the Thucydides Trap, which describes the potential for conflict between rising and established powers. However, while conflict is far from inevitable, the tension that currently exists between the United States and China has been, and continues to be, present and varying in terms of intensity.

While it is entirely possible to manage these changes and avoid the potential for conflict, what is certain is that these shifting geopolitical sands are still unsettled and we must continue to watch for sudden storms on the horizon.

The Rapidly Evolving Geopolitical Changes Currently Facing the World

A Dialogue with Jeppe Kofod

Henry Huiyao Wang and Jeppe Kofod

In geopolitics, history has seen empires rise and fall, national borders shrink and grow, and ideologies change to suit the needs of societies in which new generations replace the old. Today's world is no exception.

In the following dialogue, CCG President Dr. Henry Huiyao Wang and Danish politician Jeppe Kofod shared insights on changes in the world from his perspective both as a professional politician. They also engaged in live Q&A with François Valentin, Schwarzman Scholar, Tsinghua University and Berthold Kuhn, Adjunct Professor, Otto-Suhr-Institute of Political Science (OSI), Freie Universität Berlin; and an audience at the spot.



Henry Huiyao Wang in dialogue with Jeppe Kofod at CCG's Beijing office

Jeppe Kofod served as Minister of Foreign Affairs of Denmark between June 27, 2019 to December 15, 2022. He previously served as a Member of the European Parliament (MEP) from 2014 to 2019. Within the Party of European Socialists, he led the Social Democrats from Denmark. Kofod was a member of the Folketing (the Danish Parliament) from the Social Democrats from 1998 until 2014 and again briefly as a substitute member for two months in 2023. From 2006 to 2007, he completed a Master in Public Administration at Harvard Kennedy School.

Henry Huiyao Wang: We are having rapidly evolving geopolitical changes in the world, so, I would like to start our dialogue by saying that, for example, I just got back from the Munich Security Conference last month. I was sitting in the audience when J.D. Vance made his famous speech. He was saying that China and Russia are not threats, instead emphasising differences in freedom of speech and value systems between Europe and the US.

I was also surprised to see that the US and Russia recently voted the same way on a UN Security Council resolution. Also, just two days ago, President Trump, in his address to the US Congress, mentioned Greenland, saying that it has great mineral resources and that the US should have them. As we know, Greenland is under Danish jurisdiction.

What do you think about the old “West versus the rest”—or more specifically, the “West versus China” concept? It appears that differences between the US and Europe are becoming more pronounced. For example, I was also at the AI Summit in Paris last month, where France, India, China, and over 50 nations supported the AI Declaration, whereas the US and the UK refused to sign it.

So the world is becoming less black and white and more fragmented, as highlighted in the Munich Security Conference report, which discussed the multipolar world. When we talk about multipolarity, we now refer not only to the US, China, and the EU, but also to Russia, Brazil, South Africa, Japan, and others.

What do you think about the changing US approach—which seems less ideologically driven and more focused on economic expansion, as seen in discussions about Greenland? As a former Danish foreign minister, this is probably a question on many people’s minds.

On Greenland – Then and Now

Jeppe Kofod: I wanted to be very frank and honest with you today in my analysis. The Trump foreign policy as we know it now, and also as we knew it from the last term is clear. I was actually a foreign minister in 2019 when he, for the first time, wanted to purchase Greenland. So I had to deal with that issue at

the time, and Mike Pompeo was his Secretary of State.

So you're right. There is a new way of understanding the world in Washington, and it's focusing very narrowly of what they call "Make America Great Again," that national narrow economic interest at the expense of maybe rules and norms that were there before.

The Monroe Doctrine has always been part of US policy, but it's been expanded to the extent that even allies like Denmark have always been one of the closest allies in Europe on the security front. We are part of the NATO alliance, and it's important to understand that in the NATO alliance, four out of the five Arctic coastal states are NATO countries. So that's the US itself, of course, Canada, the Kingdom of Denmark, and Norway. Only one is not, and it's Russia. So, we are used to having the four NATO Arctic coastal states out of five working closely together on security issues. So it's a very new and recent thing.

The US or Trump wanting to take control of Greenland is in a way mistrusting his allies, because today, de facto, the US military base and US have access to Greenland. They have the Thule Air Base, a perfect, big military base there, so they can freely operate in Greenland and so on. So it's not like they need Greenland; it's already part of the security planning in Washington.

Another thing, and you alluded to it, is about maybe a new economic nationalism, a new cultural war that is going on in the US, and a new way of mixing domestic policy with foreign policy. Like J.D. Vance, when he went to the Munich Security Conference, he was sitting in the room, not talking about security issues between states, but talking about internal discussions over freedom of speech or elections and so on, which are all important issues.

So in my analysis, I would say that we are definitely witnessing another direction of the White House under Trump that could jeopardise the traditional transatlantic alliance. That's also why Europe changed, as I said, radically from saying that the US-European alliance is unbreakable and indispensable to that now Europe has to stand on its own. Also, Europe has to invest more in the military, frankly speaking, to be respected in Washington.

My concern with Greenland is more that if the US claims that it has the right to pursue control of Greenland, what does it mean? Does it mean that countries can disregard national sovereignty and respect for the territorial integrity of countries and then start changing borders? That would be a very dangerous world if we do not respect the fundamental UN Charter.

I noticed that also recently when Trump delivered the State of the Union address, he said very clearly that it's up to the Greenlandic people. I absolutely agree with that. It's not up to us, as Denmark or the US, to decide. It's the people of Greenland themselves that decide what they want to do. Also, if they want to have independence from the Kingdom of Denmark, which they are seeking, we respect that. It's only Greenland that can decide that.

I wanted to say that, yes, it's complicating things because we are used to a respectful dialogue. And in my opinion, we live in a post-colonial world. And I hope that this understanding is also the understanding in Washington.

Henry Huiyao Wang: It's interesting to hear that you already went through with this issue alongside Pompeo during Trump's first term. Still, many European leaders were surprised, including the Danish Prime Minister, who expressed clear dissatisfaction. Europe as a whole was not happy with the idea, either, because, as you said, after World War II, the international order was built on principles of sovereignty and territorial integrity. Yet today, Trump has suggested that Canada could become the 51st state of the US and has already renamed the Gulf of Mexico as the Gulf of America.

I see Trump has a much larger agenda now, to consolidate North America and even both Americas maybe into some sort of American Union someday and then take back the many public goods they provided before.

So now I would like to ask, because you are from Europe, what do you think about the Russia-Ukraine war? Basically, the US is talking directly with Russia and even voted on the same point at the UN. Ukraine was not involved. The EU was not involved. As a former politician of a European country, what do you think about that?

I see the European countries are now having many summits and many conferences, trying to turn things around. What do you think the prospects are? How do you think we can bring a peaceful end to the Ukraine war?

I also heard the Defence Secretary of the US say in Munich that they don't want to send troops to Ukraine, preferring European and "non-European" troops instead. When they say "non-European troops," does that mean China, India, Turkey, or Brazil?

President Zelenskyy appears more open to negotiations now than in the past. He used to say that Ukraine would never negotiate with Russia, even passing a law forbidding dialogue. Now, it seems President Trump has made something happen, only unilaterally. So what do you think about future EU involvement and Ukraine involvement in this, which is the hottest issue still in Europe?

No Peace in Ukraine without Ukrainians

Jeppe Kofod: I'd love to answer that because it's very close to my heart as well. But just one thing on Greenland, because as I said, I was Foreign Minister back in 2019. Trump confirmed he wanted to purchase Greenland, like a real estate deal, at the time. I was Foreign Minister at the time, so I called Mike Pompeo, Secretary of State at the time.

What we did was manage to start a process where we had a very constructive cooperation, not only involving Denmark and the US, but also Greenland. The year after, in 2020, the US reopened their consulate in Nuuk. It has been closed since 1953. The US put aside money in their budget to enhance cooperation with Greenland, which we thought was very good from the Danish side. And we were encouraging more trade, tourism, cultural exchanges and so on, between the US and Greenland because geographically, Greenland is in North America, no doubt.

It's not in Europe.

Therefore, what began as a conflict turned out to be, I would say, a way to enhance cooperation. I believe that the same can happen again if there are changes in rhetoric on the Trump side. In his speech, you know, he said two things. He said I respect Greenland. And he said, but we want to get it. So there's still a bit of ambiguity. Let's see.

You asked about Ukraine. But Ukraine is, as I said, close to my heart in many ways. It's very simple for Ukrainians. The war can end today if Russia stops its invasion. That's a fact. It's not Ukraine that started the war with Russia. It's Russia that invaded Ukraine. It's very important to underline this fundamental fact. They started in 2014. But of course, the full invasion was in February 2022. I was also Foreign Minister at the time when that happened. And I've been to Ukraine many times, both before the war and during the war.

Today, actually, I'm also chairing the board of the National Energy Company of Ukraine, where we see Russian attacks on the energy infrastructure daily. So Putin is not only attacking militarily, they're also trying to shut down the country by taking out its energy network. So we spent a lot of effort on that, too.

I think it's really strange to believe that you can make peace without Ukraine at the table. For me, if I talk about Greenland without Greenland at the table, that will be very strange. Without any comparison, but just to say that it's fundamental that Ukraine themselves decide their own future. Not Russia, not the US, not Europe, or a third or fourth party.

How will that happen? I believe that hopefully the parties can be brought together. Europe has been complaining that they're not at the table. I agree with that complaint, but I think it's also due to the lack of actions from the European side. If Europe had, from the outset, said, OK, we're willing to have peacekeeping troops on the ground when there is a peace deal signed, and that we are willing to uphold a real security guarantee for Ukraine, not like the previous one that was not respected, but a real one, then I think we will be more relevant for the US, and we will be at the table. So it's partly our own fault. When Trump was elected president, we knew what was coming, we should have been much more active from the outset.

Now I believe that Europe will be at the table, and there will no peace in Ukraine without, first and foremost, the Ukrainians, of course, but I don't believe either without Europeans, because as you said, Trump will not put US troops on the ground in Ukraine. That's not going to happen. Whether he will put military assets or an international coalition in Ukraine is another question, but no troops on the ground.

I think that what we need to see now is that, well, hopefully Ukraine and the US will sign the mineral deal because that will mean that the US has real economic stakes in Ukraine. So they will have an interest in upholding peace in Ukraine after a peace deal as well. I think that's good. Then hopefully, we will see the next step where the parties will negotiate a fair and lasting peace that will be confirmed by Ukraine. I mean, no one in Ukraine, and not President Zelenskyy, no political leadership will survive a day if they sign a bad deal where a big part

of the country will de facto be annexed by Russia after an illegal, violent war. That would be unthinkable.

And trust me, I remember when I was Foreign Minister, many people said back in February and January of 2022 that it was just a matter of days and weeks until Russia took Ukraine and Kyiv. At the time, I asked the Ukrainian Foreign Minister, Dmytro Kuleba, when he was in Copenhagen in January 2022 and visiting me, what would happen if Russia launched a full scale invasion of Ukraine? He said, do you remember Russia? Do you remember how Russia tried to invade Chechnya? How they fought? The whole city was almost destroyed. We will fight in each and every city in Ukraine if the Russian comes.

And what did we see when they came in, when they had the full invasion on the 24th of February 2022? They saw that Ukraine was ready to fight back. Don't underestimate Ukraine. Ukraine will not give up its country to make peace. It will continue until they have a fair peace deal and a real security guarantee—not a fake one, but a real one it can trust. And that's also the only way for Ukraine to fulfil its dreams of becoming a member of the European Union. They want to do that before 2030. They also want to become a member of NATO. There's no agreement on that right now with President Trump, as you know. But the only way that Ukraine can be rebuilt after the war ends is if there's a credible guarantee. I know from being in the private sector there on energy that no investors will invest in Ukraine if there's not a security guarantee over the territorial integrity of what is Ukraine after a peace deal.

Henry Huiyao Wang: If there's no guarantee, there will be no peace, no investment, and no prosperity. However, I did notice, though, that the US actually wants to freeze the borders and forget about Crimea.

Would the proposal to send European troops—German, French, Polish, and possibly Danish forces—be accepted by President Putin? After all, Putin started this war to keep NATO troops out of Russia. Now, having waged such a big war, there would still NATO troops on the border. As you also said, parts of previous agreements may not work. But what if there's a UN peacekeeping force made up of India, China, Turkey, and Brazil? Putin might say, OK, that's fair, because you would have troops from BRICS countries and quite a few more Global South countries as guarantors for peace. That peace may be more secure than just Putin reaching an agreement with NATO or Western countries maybe a few days later.

The GDP of BRICS countries is bigger than G7 now, so BRICS countries participating in this peace process, even with peacekeeping forces, would probably be a solution to get out of this dilemma. Right now, Trump doesn't want to send US troops, and he wants to send European troops and non-European troops, which is still hanging in the air. That's why I think if they really come to the nitty-gritty of negotiations, then a UN peacekeeping force from Global South countries work out.

Furthermore, I think China and other countries can help rebuild Ukraine. China is still the largest trading partner of Ukraine and Russia. Chinese Foreign Minister Wang Yi said today at an NPC news conference that China is still

actively engaged in promoting peace and really trying to see a peace deal made. Although positions are not fully aligned, they all hope to have a fair and durable peace deal that is binding and accepted by all the parties concerned.

Jeppe Kofod: I think it would be great if there are UN peacekeepers, including from the so-called Global South. I hate this expression because it's not in the South necessarily. But from countries like China, India, and others, I mean, that would be great. I'm just saying that for me, the most important thing is that it is a credible security guarantee that is respected. And as I said, if the US does mineral deals with Ukraine, they have a skin in the game, and therefore, they would help uphold this security guarantee. So I think that's part of it.

For Europe itself, I don't think we have the troops, frankly speaking, for a large-scale deployment of troops over a longer period of time. We need to develop that. Of course, you see heavy investment now from the European side in defence, but it will take some time before we have the actual troops there to be in Ukraine.

I'm happy that we are also looking at how we can rebuild the country afterwards. But right now, my biggest concern is that if this war ends with Russia taking territory illegally, disregarding, as I said, the UN Charter's respect for the sovereignty and territorial integrity of a country in Europe, what precedence does it set?

So we have to ensure that Putin doesn't succeed with that, because if he succeeds, I fear, as intelligence has also been telling in Europe publicly now, that there could be a risk of first a NATO country or another European country being attacked or maybe even in five years, large-scale war in Europe. And I want to avoid that very much and this would start with a fair, justifiable peace deal with a real security guarantee in Ukraine. If that happens, I would feel safer and trust the future a bit more.

On rebuilding the country, I know Ukrainian people have great national pride, as all of us have in our nations and states around the world. They would be able to rebuild the country quite fast. And help from China, Europe, or other countries will be very important for them, I'm absolutely sure. And they will welcome all kinds of assistance.

Henry Huiyao Wang: I think the more countries there are guaranteeing security and participating in the reconstruction of Ukraine, the more security the world will be. If this deal really can be made, then NATO countries and the EU countries may not go as far as spending 5% of their GDP on the military, which makes US military manufacturers very happy. Having such a high budget for defence really comes at the expense of the livelihood of the ordinary people, so it's crucial that we have a peace deal with more guarantors, because then maybe countries wouldn't have to drive up their military budget so high, and then we can have a more secure world.

So what I'm saying is the Global South and all the BRICS countries can have a more balanced peacekeeping role to play. Someone asked me at the Munich

Security Conference that if Indian, Chinese, and Brazilian troops came, would they be on the Russian side, not on the Ukraine side, but this is something people are starting to think about.

Potential Developments in China-EU Relations

Henry Huiyao Wang: Now, I'd like to turn to China-EU relations. You mentioned quite a bit on that. I agree with you that there are enormous opportunities and I'm glad to see you have 30-some Danish leaders coming to Beijing this time. Germany has also had a new election. The head of the right-wing party, who has nearly 20% of votes, actually wants more investment from China. The CDU now is also quite close with China in terms of business relations. I don't think the EU has to always follow the US. If the US and China have a strategic rivalry, the EU would say this is a systemic rivalry.

Trump has basically placed tariffs on every country. He said at his inauguration, that the world is ripping the US off, that he's going to be reciprocal, placing tariffs on Europe, South Korea, Japan, China, and everyone. China had an experience dealing with the US on tariffs—we are still suffering from the 25% tariffs imposed during Trump's first term, and now he has added another 20%. Yet, China's trade with the US has increased by 20% since Trump's first term, so we haven't really been hurt too much by that.

With the US withdrawing from the WHO, the Paris Climate Agreement, and the UN Human Rights Council, is it time for the EU, China, and the Global South to collaborate more, so that the two largest economies outside the US—China and the EU—can step up and protect the multilateral system? The world would fall apart if every country followed a “me first” and “make me great again” policy. The law of the jungle is really dangerous.

Do you think the EU and China can work together? Do you think we should revive the Comprehensive Agreement on Investment (CAI)? The sanctions that blocked it were placed by the last European Parliament—but now there is a new Parliament.

When Pascal Lamy visited my office in November, he was saying that many European companies have successful joint ventures in China; we could reinvest those JVs back in Europe, Africa or Global South countries. And there are many Chinese companies that want to invest in Europe, including in Denmark. How can we revive business relations at a time when Trump's policies are disrupting global trade? We face common threats, particularly the potential breakdown of the global free trade system. It's so important we work together to safeguard and promote trade and investment.

Jeppe Kofod: Coming from a country like Denmark, we are free traders by nature. We believe in free trade and, of course, that unjustified tariffs are poison to our economies. What we see the US doing right now with Canada, Mexico,

Europe, and China, doesn't seem like a very smart strategy if you want to enhance trade and prosperity in the world.

So I agree we could come together. Here, I think it's important to note that we still have the World Trade Organisation. There are still some rules and principles that were laid down there. If we can enforce those, including Chinese compliance with these rules, I think it would be great.

I know that the US now disregards the World Trade Organisation, and the dispute settlement mechanism is not working now. But I think it's an option for all nations in the world that want a rules-based trade order. And China and Europe should fight for that.

I think the problem for Europe is that we have been very open to investment and business and we want to see the same reciprocal access in China for European investors. I mean, China is such an important economy in the world today, and it will only become more important in the future. So having access to the Chinese market on equal conditions with Chinese actors is fundamental.

So I think both sides have to make some adjustments if we want to have the investment deal to work in practice. I also think it's important to talk about protecting intellectual property rights, technology, and so on, that we do it in the right way. Because if not, then I fear that there will be more defensive trade measures applied, and that will not benefit a relationship between China and Europe.

The so-called Global South should sign on for these principles and open up their economies, which goes for China and India as well. India and Europe have done a lot. When I was Foreign Minister, Denmark started the first strategic partnership India did with any country in the world on economic issues in green tech and other related areas.

So I think we can do a lot together, but we have to have fair rules. I'm still concerned about that issue, as I'm concerned about the course of direction of the current US administration.

Henry Huiyao Wang: We know Copenhagen had this famous climate summit there many years ago. That actually started to pave the way for the Paris Agreement.

Jeppe Kofod: It was not as successful as we had hoped.

Climate Change and the Green Transition

Henry Huiyao Wang: But because of that, I think that paved the way for the Paris Agreement. Around 10 or 15 years ago, Beijing was very polluted, and everybody was asking why China wasn't doing anything? China was contributing so much to global pollution, but now China is starting to revolutionise and has many leading companies in EV cars, batteries, and solar panels.

Now the Europeans are talking about overcapacity, saying China builds too much. But actually, the UK didn't place any tariffs on China's EV cars. The world is still facing a shortage of green products. Tesla and European companies also manufacture EVs and sell them in Europe. So I think we should have more discussions on how to strengthen the green energy transition.

Meanwhile, President Trump is saying we should forget about that and go back to fossil fuels and petroleum. But we have already made progress. In Beijing, half of the vehicles on the road are now EVs, and as a result, we have better air quality.

That's why I still hope that countries like Denmark, and Europe as a whole, can continue collaborating on this green transition. You probably have more experience in this area. I remember when we had five Nordic ambassadors at a CCG roundtable, the Danish ambassador spoke very well about how much you have done to make the climate cleaner and more sustainable.

So I think Europe and China can still work together on this. Beyond the tariff issue, Trump is also dropping his green transition agenda, so it's even more important for us to stay on course.

Jeppe Kofod: I think we absolutely should. Also, I want to commend China. What you have steered the country in the right direction on many issues such as building infrastructure, investing in technological innovation, and modernising society and it's truly remarkable.

And I think that's something Europe should learn from. As you know, we are now developing industrial policies in Europe. I alluded to the Draghi report. We need to invest heavily, like China has done in its own modernisation, in Europe. In Germany now—you alluded to the new chancellor—they actually will invest a lot, both in defence, as we talked about, and in their own infrastructure. I believe around 500 billion euros over the coming years—a remarkable amount. So I think we can learn from that.

But I still think that when we talk about a rules-based trade order, which is a topic close to my heart, because I think all of us can get much more out of it if we do it in the right way, I think reciprocity is important. If there are state subsidies in industries, then of course it has to be dealt with in a fair way so we have fair competition or market access both ways.

And there, I think we still need to overcome some challenges between Europe and China. But frankly speaking, as I said, Europe has to be strategic. We have to have a "Made in China 2025" plan for Europe, which is working. We also have a defence plan now—"ReArm Europe." So we will start understanding that Europe will become—I think it's good and needed, unfortunately—a geopolitical player in its own right. And there, I really see that we can work on common issues.

You mentioned climate change, and I agree it is a disaster that the US is again withdrawing from the Paris Climate Accord under Trump. He also did it in his first term as president of the US, but it doesn't mean that the rest of us shouldn't continue. After all, we want to live as citizens in clean cities.

I haven't been in Beijing since 2012, and I can see how much has happened on the positive side. So we want to embrace technology and innovation as the solution to the green transition—delivering the decarbonisation of our energy systems and creating a better environment. That's also why I'm very happy for the green partnership we have, or the renewed strategic partnership between Denmark and China that was renewed in 2023, where it also has a lot of focus on green tech.

So yeah, let's show the world what we can do. And I also wanted to say that I wanted to overcome the division between Global North and South. We have to, as you said at one point, see each other more on equal footing where we work together so these blocks don't become a way of excluding each other and starting disputes that are not needed. Of course, we can have different interests sometimes, but we shouldn't allow ourselves to be locked in too much.

Henry Huiyao Wang: I remember last September I was at the WTO Public Forum. CCG hosted a panel there. We had Adam Posen, President of the Peterson Institute there. He said China, the EU, and other countries should really go ahead with their climate, WTO, and WHO agendas, even if the US is pulling out. Because he thinks a few years later, maybe the US will come back. But we should not stop our efforts, we should continue. So I agree with you, those are absolutely burning issues. China, the EU, and many other countries can work together.

Q&A Session

Berthold Kuhn: We've just started a project and I will become the team leader of the EU-China Environment and Green Economy Project. Privately, I've just moved from the Pacific, from the low-carbon city of Xiamen to Liangmahe River. I'm very happy to see people swimming here in the river and I've seen the very positive green changes happening here in Beijing. It's not the first time that I was in Beijing and a long time ago I was a professor at Tsinghua University, so I've seen a lot of positive changes happening in the city.

I think at the very beginning, you mentioned that the risk of political conflict is less when dependence cannot be used as a political tool. I quite agree, but at the same time, I would like to underscore that the risk is even higher if trade interdependence is shrinking rather than increasing. The more engagement we have with China, I think, the less the chance for the eruption of deeper political conflict.

Trump has quite a bit of respect among Chinese business elites as well as political leaders. They regard him as a dealmaker. I mean, Trump is probably interested in making quick and dirty deals, and I would like to emphasise that—and I really liked your talk about how Europe has a checkered history in both war and in peace, but also strong expertise and experience. It has been very much

engaged in Global South countries in many world regions historically. So, Europe has very strong background experience in peace negotiations, I think maybe even more than China recently. Trump's quick and dirty deals may appeal to the Chinese audience more easily than a European one with its checkered history and its experience with sustainable peacemaking.

Maybe I would direct my question to Henry first—do BRICS countries feel that a peacekeeping mission is realistic and that the BRICS countries would agree on a joint mission? How would the UN react to that?

Henry Huiyao Wang: I'm not suggesting that BRICS countries send peacekeeping forces on their own—it should be done through the UN.

A UN peacekeeping force is okay because China is the largest contributor of peacekeepers among the five permanent members of the Security Council. They already have Chinese peacekeeping forces in quite a few countries already. If the US and Russia reach a deal, and if the UK and France agree, then let's pass a UN Security Council resolution to send peacekeeping forces. The UN peacekeeping force can be composed of Germany, France, and other nations. I'm saying this should not be a separate initiative but rather a coordinated UN-led effort.

CGTN: My question is about navigating complexities in EU-China cooperation and it's for Dr. Wang. With the EU shifting policies and global uncertainties, what strategies would you recommend for Chinese businesses and policymakers in navigating their own complexities, particularly in areas of mutual interest like green energy and technological innovation?

Henry Huiyao Wang: Thirty or forty years ago, when European companies came into China, the best way was through joint ventures with Chinese companies, which allowed them to expand significantly.

Now, German companies, for example, are selling more cars in China than they sell anywhere in the world, and then they produce more cars in China than they produce anywhere in the world. So Chinese companies should do the same. Maybe they should start joint ventures locally with European companies and use the experience they already have in China to go into other countries. I think finding local partners and following local rules and regulations would be the way to go. For Chinese companies now, going global has become a trend, but then I would really recommend finding more partners, using global talent, and using global logistic services.

CGTN: Another question from the EU perspective, what are the key forces shaping the global order today, and how can China and Europe collaborate more effectively to address these changes?

Henry Huiyao Wang: I agree with Minister Jeppe that the EU and China should foster more dialogue and mutual understanding, especially now, as we face new threats from the new US administration. They are withdrawing from

multilateralism and promoting a new concept of “make me great again,” which is not the right direction.

I think the best way China and the EU can collaborate more effectively is to revive the Comprehensive Agreement on Investment. Let’s get that quickly revived, or even renegotiated, and then a lot of problems, as the Minister mentioned just now, such as market access and fair trade, can be solved.

A former EU ambassador came to my office and described this new CAI agreement as a second opening up for China. It's better than any deal foreign countries have had. We used to follow the US on many deals. This time, the EU makes the deal, and has many new policies and local arrangements. Unfortunately, it hasn't gone through, but I would really like to see that happen.

CGTN: The last question for Minister Kofod. You’ve emphasised the importance of public-private partnerships in our work, and how can these partnerships be leveraged to strengthen EU-China cooperation, especially in sectors like energy transition and trade policy?

Jeppe Kofod: As I said, we have common challenges globally that we have to solve together, like climate change and decarbonising our economies. There I see big potential in China and Europe working together on developing solutions for that.

I know from my own country, Denmark, that Danish companies have been coming to China in successful joint ventures. For example, in energy efficiency they have provided more savings in energy than the total CO₂ emission of a country like Denmark.

We are a small country, but we can do so much together if we share our resources. When we talk about environmental issues and climate issues, public-private partnerships are also a heavily regulated area where we need the right policies, incentives, structures, and frameworks to ensure that we will move in the right direction.

There I’m concerned about the US withdrawing from the Paris Climate Accord. But, at the same time—and China is a testimony to that—clean energy, for example, is often much cheaper than non-clean energy. For example, if you look at the cost of producing electricity using wind and solar and compare it to terminal production, you will see that it's much cheaper to do renewable, which is much cleaner and better to fulfil the climate and environment goals. So when public and private interests align, I think that's where we should work very closely together.

François Valentin: I had a question regarding Ukraine. There’s been frustration on the European side at the deepening relationships between Russia and China during the Ukraine war and lack of pressure from China on Russia. Could you perhaps take stock of the actions that Europeans have taken to try and mitigate their relationship during the last two or three years, and take stock of what has been accomplished in explaining the European point of view, and what has, on

the contrary, failed to be done?

Jeppe Kofod: That's a very important and big question you're raising. As I said, I was Foreign Minister when the big invasion started in February 2022. What we immediately did, as you recall, was impose big sanction packages on Russia. That affected the global economy, and in particular, countries in the South, countries that were suffering from lack of access to food and food prices were rising.

I think we have seen Europe twice within the recent years, failing to understand the needs of the so-called Global South. First, we did it in the Covid crisis when we didn't deliver the medicine to them that others did—China and Russia, for example. And then when the war started, we did sanctions that had terrible effects on some of the Global South countries, where they then started questioning why this policy, which would be towards Russia, was the right one. So we haven't been good at explaining this and mitigating the negative effects of the policies.

On the other side, I've been in many fora where Global South countries really understand when you talk about national sovereignty, territorial integrity, respect for borders, and that it's important that we uphold them. Of course, we in the Western world should not be hypocritical, because we have also overstepped recently in this area like in the Iraq War—we didn't respect the UN Charter at the time. We have also shown that lack of respect.

But what is going on in Europe is so devastating, and I think what Europe has failed to explain is the cost of war for people with thousands of people dying literally as we speak. I've been to Ukraine, as I said, many times, and also recently in January. And it's stunning to see how when you take the train—you cannot fly into the country—the train is full of mothers and children. The fathers are not there. They're in the front line fighting. Many of them are dying just to protect their own country. So we've failed to explain the inhumanity of this war and the devastation of this war to people in Europe.

When I was Foreign Minister, because I believe in international law, I together with the International Criminal Court (ICC) tried to mobilise a group of countries that would collect evidence of atrocities committed in Ukraine by Russian forces because we want to prosecute it. We wanted to ensure that there's no impunity out of war crimes. We are very bad at explaining these things. So there are areas where Europe hasn't been able to be forceful enough.

Also, as I said at one point in the dialogue with you, I don't like the notion of a Global South and a Global North, as if we have different interests. We need to work together much more. So from Europe's side, we have to understand and work much more closely with our friends in Africa, Asia, and South America, so their agendas are also respected. Because then they would also understand why we have to stop this massive war in Europe that Russia has started.

Q: My question is for the Minister. I wonder, looking back from now, from 2014 to 2022, during these eight years, is there anything that the EU could have done

to prevent this war in Ukraine?

Jeppe Kofod: I said on day one when Russia launched its full invasion of Ukraine at 24th of February 2022, that this has to be the beginning of the end of the type of thinking that Putin and his people are showing here, that you can invade another country, redraw borders, and get away with it. If we don't stop this thinking in the 21st century, then we will all live in a more dangerous world where strong powers think they can change borders by the use of force.

That's also why we had to—and we did—unite in Europe. If you look at the voting records in the UN, a lot of countries supported the defence of Ukraine. But we didn't provide enough military aid to Ukraine to defend themselves. That was the thing. It sounds a little bit counterintuitive, but I will try to tell you why it's important: the faster we can provide Ukraine with the military equipment they need, the sooner Russia will eventually see that they cannot continue this war, and the sooner the war will end; life will be spared on both sides, and we will have peace coming back.

So actually, peace can come through much more armament to Ukraine. If we just continue arming Ukraine gradually, like when we initially didn't give them F-16s, it is a big mistake, in my opinion, and we end up prolong the war, and the casualties on both sides will just be more. We have to be strong and end the war by providing military equipment.

My second point is, I think Germany understands now that in order to have peace in Europe in the future, we need a strong, armed Europe. I mean, I wish we didn't have to spend all of this money on weapons and the military, but unfortunately, that's the precondition to keep peace, that no one dares to start a war again, because they see that they cannot win. This is where we are now.

My final words will be, and also to Henry, if we arm Ukraine, and we have troops on the ground—UN troops if it's possible, but I doubt it because Russia will veto any vote at the Security Council, we would prevent future wars against Ukraine or any other country in Europe. Because it's not only Ukraine, it's not only Georgia. It's also Moldova, maybe even the Baltic States. There's this uncertainty now that we have to eliminate if we want to live in a peaceful Europe and world.

So that will be my final comment. Thank you.

On Escaping Thucydides's Trap

A Dialogue with Graham Allison

Henry Huiyao Wang and Graham Allison

The lessons of history are extremely important yet often overlooked. The Thucydides Trap, which originates between the power struggle between Athens and Sparta, has been applied to the United States and China, but if we learn from the mistakes of the past, perhaps we can avoid the pitfalls of today's fragmented world.

In the following dialogue, CCG President Dr. Henry Huiyao Wang and Professor Graham Allison talked about Escaping Thucydides's Trap, US-China relations, and the 47th US President Donald Trump's China policy, where Allison again, in his own words, "bet the upside."



Henry Huiyao Wang in dialogue with Graham Allison at the Munich Security Conference Bookstore

Graham Allison is the Douglas Dillon Professor and Founding Dean of Harvard Kennedy School. He is also the former director of the Belfer Center for Science and International Affairs. He has served in key positions in US government, including Assistant Secretary of Defense during the Clinton Administration and special advisor to the Secretary of Defense under President Reagan. Today he continues to advise the government.

Dr. Allison's latest book, *Destined for War: Can America and China Escape Thucydides's Trap?* (2017), is a national and international bestseller. His 2013 book, *Lee Kuan Yew: The Grand Master's Insights on China, the United States and the World*, has been a bestseller in the U.S. and abroad. *Nuclear Terrorism: The Ultimate Preventable Catastrophe*, now in its third printing, was selected by *The New York Times* as one of the "100 most notable books of 2004." Dr. Allison's first book, *Essence of Decision: Explaining the Cuban Missile Crisis* (1971), ranks among the all-time bestsellers with more than 500,000 copies in print.

As "Founding Dean" of the modern Kennedy School, under his leadership, from 1977 to 1989, a small, undefined program grew twenty-fold to become a major professional school of public policy and government.

He has been to CCG and talked with Dr. Wang on various occasions for more than a decade.

Henry Huiyao Wang: Graham's book, *Destined For War: Can America and China Escape Thucydides's Trap?*, which was published in 2017, was a great book and it got a lot of attention, particularly also in China. And since 2018, the US-China relations have actually deteriorated. There's a lot of geopolitical tension going on. There's a trade war going on. There's a lot of people worried, I think, on both sides.

So particularly during Covid, I had the opportunity to dialogue with Graham quite a number of times. And also, I visited Graham twice at Harvard's Kennedy School, so we thought it would be a good idea to have this dialogue to clarify some of the misunderstandings and then we can actually have a better, more authentic view of Graham and also some Chinese concerns. I think that's where the idea for *Escaping Thucydides's Trap* came from. I was very honored and privileged to have the opportunity to talk with Graham. And of course, I spent quite some time at Harvard. Almost 15 years ago, I was a senior fellow at Harvard Kennedy School. We had a very good friendship over the years.

But I think *Escaping Thucydides's Trap* is very meaningful. It has become one of the best-selling books in China in translation, which was mentioned by President Xi when Graham met him in March last year. You also recently met top Chinese leaders again, including the Standing Committee member of the Political Bureau Wang Huning as well as Chinese Foreign Minister Wang Yi at the Munich Security Conference. You've really witnessed all those changes between China and the US, especially in international realtions.

Since President Trump took office, there have been some positive signs in relations between China and the US. We're hoping that we can have better relations during his term. So maybe you can give us an update and we can have more discussion after that.

Graham Allison: Thanks to Henry for the idea of creating this book. I was a little uncertain how this book was going to work out, but when I finally saw the product, I was very happy because what they did is take the effort to go beyond the argument in the book in 2017 to include what I've written in articles, presentations and other areas since then. They've essentially taken questions that people ask today and the things that I've written or said that provide the answers, all in very short order. So that's a short question and a short answer.

One of the things that people most often get wrong about the original book, which is called *Destined for War: Can America and China Escape Thucydides's Trap?*, is the suggestion or the belief that it says war between the US and China is inevitable. And I think this comes from Thucydides' great line in which he said it was the rise of Athens and the fear this instilled in Sparta that made the war inevitable. But as I explained in the book, even Thucydides didn't mean by inevitable 100%. He meant very likely. So, my argument in this book is that when a rapidly rising power seriously threatens to disrupt a major ruling power, most often the outcome is war. The structural factors probably account for 75% or 80% of what's going to happen. But that doesn't eliminate human agency. There's still 20% or 25% in the hands of human leaders, who can take advantage of the lessons they may have learned in previous cases and make them successful without a war. In the book, there are 16 cases over the last 500 years where a rapidly rising power seriously threatened the ruling power. In 12 of these cases, there was a war, including a catastrophic war like World War I, when Germany rose to challenge Great Britain. But in four of the cases, there was no war.

So this is not a fatalistic book. This is a book about how the US and China, if they were wiser, could escape Thucydides's Trap. But that's why I've chosen this name. Now, if we fast forward to today, I would say we are pretty well on track to find our way into a war and have been since the book. I think it was last year in a meeting, I was asked what would Thucydides say now? I'd say if he was watching, he would probably say the two parties are right on script, each of them trying to see whether they can be the most outstanding rising power or the most outstanding ruling power, but they're on a collision course and war is the most likely outcome. My old professor and mentor, Henry Kissinger, who died a year ago, would talk with me every week or so in the last year of his life and he would say, "Graham, I'm hearing louder and louder the echoes of 1914." Clearly, he thought the US and China were stumbling faster to war than he had imagined before. And he thought the most likely outcome would be a catastrophic war between US and China. And if I were having a debate, if a Martian on a different planet was watching this, they'd probably say that's the way it will most likely turn out. But it's no inevitable, and that's why I like seeing that effort to try to work this out.

And I think the reason for being slightly more optimistic at this point is that in President Trump, we have this new agent of change. Now, there's lots to be said about him. Much of it, and especially here that we're in the Munich Security Summit after the last three days, makes one think that I may be stretching a little bit to try to find silver linings, but at Davos this year, I was asked to try to be constructively optimistic. And I said I'm now prepared to make a bet that a year from today, in January 2026, relations with the US and China will significantly improve. We'll be surprised on the upside and I think the main reason why that's the case is that I think if you ask whether President Trump is a China hawk, it's unclear, but the broad bipartisan consensus in the US today is quite hawkish towards China and most people would be some version of China hawks.

So what about Trump? If you go back and look at the election that we just had, we had a whole year of campaigning until November 5th with 1,000 people running for national office, including 435 seats in the House, 100 seats in the Senate, President and Vice President. 80% of Americans have negative views of China. Not one candidate had anything nice to say about China. All 1,000 except for one, who said things like, "I respect China." And "I respect, I very much respect Xi Jinping. Xi Jinping is brilliant. People tell me I shouldn't say this, but he's brilliant. I know him. He says, I want China to do well." I mean, why would you say such things like that in an election if you're trying to appeal to people's votes? There's no support for that if 80% of people think negatively about China. So I think he might actually believe what he said, or some portion of it. I think he may have quite a different conception of what the US-China relationship could be like.

Now, watching what's happening since the election. On the one hand, you have the appointment of Rubio as Secretary of State. He's a classic Republican hawk on China if you look at everything he's ever said about China before he became Secretary of State, but now he's falling completely in line because Trump is setting the terms and everybody else works for him. Look at Mike Waltz who's the Secretary of Defense. He's a traditional Republican, a hawk, as is Ratcliffe, the Director of CIA. But Trump is determined to be the CEO and to be running things.

I would say watch the space. The most promising thing on the horizon for me is the prospect of a peace agreement of some sort that brings an end to the war in Ukraine. I believe that's going to happen in short order. And I see in the tea leaves the possibility that Xi will become part of this process, whether that's part of the negotiating or the confirmation of whatever is negotiated and he may be a part of the guarantor/guarantee framework that'll give people like Zelenskyy and Europeans the confidence that this is not simply a short intermission in a war for Putin to reboot, but that actually it's going to be a sustainable peace. Now, it won't be the peace that Zelenskyy would prefer and won't be the peace that the Danish prime minister was talking about today when she said, "until we have a victory in Ukraine and Russia can never again possibly attack Ukraine, we shouldn't give up on the war." Obviously, that's her view, but it's not going to be very relevant. I do believe, however, that China may be quite relevant, given both

its influential role with Putin and Russia, and also the fact that if it's part of a peace agreement the way it was part of the peace agreement that brought an end to World War II, it has a stake then in ensuring that the parties live up through their obligations.

Henry Huiyao Wang: You've outlined very well the purpose of our dialogue and of course, of the book that we made, which has been doing well. I agree with you that China and the US can certainly avoid or escape the Thucydides Trap. I also strongly agree with your observation that President Trump may be the person who can make some changes. The Center for China and Globalization has been very active on this point and attended the Munich Security Conference for the last eight years; the only think tank from China to hold a side event here.

I agree with Graham that President Trump, who is of course a businessman at heart, has said many positive things. He said that if the US and China work together, there's nothing in the world that cannot be solved. He also said he wants to visit China, which surprised me. He even invited President Xi to attend his inauguration. While President Xi didn't go, he sent his Vice-President, which is also a very senior official, in his place. President Trump also said at Davos that he needs China to help on the Russia-Ukraine conflict. So, even though he has some rather hawkish Republicans like Rubio in his cabinet, Trump is much more experienced now in his second term and he's surrounded by lawyers. JD Vance spoke yesterday in Munich, but there was nothing mentioned about China, which was surprising in a good way. If the US doesn't see China as the major problem, then maybe we can find a way to work together.

He's also now surrounded by a number of highly effective businessmen like Elon Musk and he has a good relationship with Apple's Tim Cook, as well as his business advisor Steve Schwarzman. He has all these smart businessmen and I was impressed when he announced the ambassador for China, the former CEO of Reebok and a veteran businessman of 40 years in Asia. He said he's going to bring peace and friendship to the region. Because of all those things, I'm quite optimistic. He also said he wants to visit China in his first hundred days and I hope that happens too. He even saved TikTok, which was on the brink of being forbidden, but just yesterday I saw that Apple and Google are now allowing TikTok to be downloaded again.

I agree with Professor Allison that if the US is coming back with economic incentives or even tariffs, China is never afraid of talking business and we could continue discussing Phase One, Phase Two or even Phase Three. But if he's less ideologically focused, like the previous administration, which pushed security alliances like the Quad and AUKUS with countries including South Korea and Japan, China isn't going to feel secure if it's all surrounded by US security alliances, which would drive up China's defense budget. It would be better to pursue an economic approach, attract Chinese investment and President Trump has said he welcomes Chinese investment to the US. If they set up factory in Mexico, tariffs may go up to 200%, but if they invest in the US, he would welcome that. Actually, the CEO of CATL, the largest battery company in the

world, wants to invest in the US, similar to Fuyao Glass, which has already invested \$1 billion in the US and is doing very well. I think if we have more Chinese investment in the US, similar to what Japanese did in the 80s and 90s, we could avoid this kind of tension continues and solve some problems.

So, Graham what do you think about the economic prospects, if we all come back to common sense economics, even if there are tariffs. But it's interesting that he hasn't gone to 25% or 60%, only 10%, while China only responded symbolically by choosing 80 categories of goods. If we pursue economic dialogue and don't attack each other's systems, ideology, culture or values, maybe we could find a way to talk to each other. Maybe there could be a Fourth Shanghai Communiqué, outlining a peaceful unification of Taiwan. We're also coming up on China's 15th Five-Year Plan next year.

So do you think if both country governments pursue an economic approach or trade approach, can we find a way to collaborate rather than take the geopolitical or military approach?

Graham Allison: Again, we can tell the story of how things go badly. And I think the Thucydian dynamics already give you a 75% chance that things go badly. We have American public opinion, which is quite negative about China. That's another powerful factor. Then we have the hawks in this administration. That's another big complicating factor. Then we have the inevitable areas of the South China Sea and the East China Sea. Yes, and maybe even over Taiwan. I can write a scenario in which things are not going badly if I look at the alternative and stretch a little bit to try to be as realistically but constructively hopeful as I can.

So, what does President Xi say that he wants in the relationship between US and China? Three things. One, mutual respect. Secondly, agreement on a peaceful competition. And third, that we reach win-win agreements. He says that over and over in the Chinese way of having their three or five things. Almost all Presidents and certainly almost all of the extreme hawks start with that ideological perspective that China is a communist regime, that the regime itself, the CCP, is unacceptable because there's an inevitable struggle between democracy and autocracy, free countries and communism.

In that case, there's a lot of argument there to be had, but Trump seems completely uninterested in that argument. That may be for better or worse, but for these purposes, I'd say you can put a check by that. Peaceful competition doesn't desire war. Trump says repeatedly that he's proud to be the President who got us out of wars and didn't get us into any other wars. He says he wants to be the Peace President. Peaceful coexistence has its five principles and I think those are consistent with this view. Regarding win-win situations, anytime you get a bargain, that's a plus for both parties, but there's always a question after you have a win-win about who gets the bigger piece of the win? Okay. That's interesting question. Trump thinks he's a great negotiator and that he'll get a better deal than the other party, who can try, which is okay in that space.

In the first term, he had tariffs on China and then finally went back to the Phase

One trade agreement, which he declared to be a great success in substantially reducing the bilateral deficit. The bilateral deficit has gone down substantially since Trump's first presidency. And Chinese imports in the US have gone down, but there's still a bilateral deficit of around three hundred billion dollars.

How hard would it be to find a win-win on that? I think that I could describe a way that could happen that would not be too painful for China and I think your point is a very good one that most of the China experts and most of the bipartisan group in the US that deals with China use a national security lens. But because I come from a security background, I have to think about how could this lead to war? And what are the various aspects, what are the risks of intelligence, somebody spying?

If you ask Tim Cook or Musk, or Trump, that's not their lens first. What's first is the economics of this exchange. I think in Trump's case, it's not just the business perspective, because I do think he wants to be a peacemaker. So when he talks about Ukraine, he says, look, this is senseless killing of all these people and it keeps going on and on. Meanwhile, Ukraine is not advancing its case. It's losing more territory and more people and more of its economy every year that this goes on.

We can talk about how the story is going wrong, but I think we should take this as an opportunity. While Trump will continue to shock and confuse us, because he enjoys doing that and it's his kind of style of leadership, which is something different than anything else that I've seen or studied. Still, I'd say we should look for opportunities where we can. And I think if I watch President Xi and his national security team, they're very professional and they have a pretty good clear idea of things. So I'm betting the upside.

Henry Huiyao Wang: I think that business-like common sense will probably come back and prevail because after eight years of containment by two administration and all those geopolitical tensions with China, we're still here and we're resilient, and maintaining 5% GDP growth. According to Chinese statistics, there are more than 73,000 American companies in China that generate USD 1.2 trillion in business revenue every year. Elon Musk has his factory in Shanghai, designed, constructed and manufacturing within the same year, after which they become the largest company in the world. It's the same for Apple, who makes 80% or 90% of their products in China, and their chips are made in Taiwan. It's really Greater China that really boosted Apple's status today and they realize how important this business link is. Walmart also used to be at 80% procurement from China, now it's probably 60%, but still quite a lot.

I think it's good for the US and China to come back. China has a 5,000-year history, a different culture and a different system. We don't have to be exactly the same, so the US should not be too disappointed that China didn't become exactly like America after joining the WTO; they could be a little different. So, if Trump's economic policy gives more emphasis on economy rather than ideology and political issues, it would be the best approach to deal with China.

This is the same thing Wang Yi said yesterday here in Munich. China has not

changed its policy towards the US. President Xi used to say that we have 1,000 reasons to be in good relations with the US, and not a single reason to be in bad relation. Wang Yi, the Foreign Minister, emphasized mutual respect, peaceful coexistence and win-win, which I think that could work. But we also had a meeting yesterday with former US Ambassador to China Jon Huntsman, and he said we should find something common to work on, whether it's a peace project or a health project or people-to-people exchanges. China's has already opened up landing visas for European countries and Japan and South Korea as well.

Graham Allison: Maybe for the US?

Henry Huiyao Wang: Yes, let's get the US, Canada, and the UK all on board so they can go to China without a visa. That would be really a good policy. Our book, *Escaping Thucydides's Trap*, is really great and emphasizes our destiny for peace, not for war. That's really what this work is about, and I hope we can really contribute to that.

Graham Allison: One of the other interesting things that the book does, is advance a project that I've been working on, but I think other people should work on as well, which is finding examples in history in which parties that were fierce rivals nonetheless managed to survive together and even to cooperate in many arenas. And Chinese history is so long that there are many examples.

Unfortunately, I'm not a China scholar, so I have to kind of come at this more parasitically, looking at secondary sources and finding examples where I can. But I've been doing this project now for some time since I finished the book about Thucydides's *Trap*. I found a dozen examples and a very interesting case. Henry and his team found another half dozen examples in the book. I would say that's for students and others who would like to contribute. Finding cases where you have essentially Thucydian rivals or even just fierce rivals who discover that in spite of the fact that they're trying to win all the gold medals we get in the Olympics, we're also cooperating in order to be able to have the Olympics. I think there's a lot to learn from historical examples and the book offers a number of those that were very helpful for me. Thank you.

Henry Huiyao Wang: Yeah, I think you're right. The Thucydides's *Trap* came from the conflict between Sparta and Athens, but the Olympics also came from Athens. Perhaps we would aspire to healthy competition like in the Olympics.

Graham Allison: Yeah.

Henry Huiyao Wang: This could be revived with the Olympic spirit: faster, stronger, higher, together.

Graham Allison: Together.

Henry Huiyao Wang: That's the real meaning of working together.

Escaping Thucydides's Trap

A Dialogue with Graham Allison

Henry Huiyao Wang and Graham Allison

Great power relations are some of the most consequential factors in global change. Currently, competition between China and the United States intensifies, but there may be a solution where both can live side-by-side in a world that is big enough for two great powers, avoiding what many are calling the Thucydides Trap.

At the joint release of the new book *Escaping Thucydides's Trap: Dialogue with Graham Allison on China-US Relations*, CCG President Dr. Henry Huiyao Wang and Professor Graham Allison discussed topics ranging from great power relations to the potential for a conflict between China and the US as well as the potential future of trade relations to ameliorate the situation.



*Henry Huiyao Wang in dialogue with Graham Allison at the book launch event of *Escaping Thucydides's Trap* held in CCG's Beijing office*

Professor Allison is the US scholar and former senior government official who perhaps with the best access to the Chinese leadership in recent years. He was the only US scholar alongside American business tycoons who met Chinese President Xi Jinping in March 2024. In December 2024, he was received one-on-one by Wang Huning, member of the Standing Committee of the Politburo, China's highest echelon of power. And on Friday, February 15, 2025, he was the only non-governmental person Wang Yi, China's top diplomat met on the sidelines of the Munich Security Conference, according to Chinese foreign ministry's press release.

Edited by Dr. Henry Huiyao Wang, *Escaping Thucydides's Trap* covers a range of topics including the balance of power between the two sides, where the relationship is headed, and lessons from history on how conflict can be avoided. This book is presented in an accessible Q&A format and draws on interviews, articles, and reports, as well as dialogues between Professor Allison and Dr. Wang. The book also includes an introduction and afterword by Dr. Wang.

Hope amid the Threat of the Thucydides Trap

Henry Huiyao Wang: Today, among other things, we will talk about Professor Allison's famous book *Destined for War: Can America and China Escape Thucydides's Trap?*, which was published in 2017. His views have generated huge global attention and global debate, but also global awareness of how dangerous it could be if we don't follow the right path and avoid conflict. *Escaping Thucydides's Trap: Dialogue with Graham Allison on China-US Relations*, the new book we've published, is largely based on our dialogues, but also contains many thoughts that Graham has published recently in interviews and articles, focusing on how we can find ways to escape the trap.

Graham, I remember last time when we talked with each other, you mentioned that the threat of nuclear options could be very dangerous if we're not careful enough to avoid a hot war. If we do, Boston could be gone, Beijing could be gone, and Washington could be gone. You're famous for your thesis on the Cuban Missile Crisis and we're still in the nuclear age with two wars currently under way. Given the current situation, it's even more urgent now to escape the Thucydides Trap. A lot of people are saying that the Thucydides Trap is a self-fulfilling prophecy, but how can we make people more aware of this? What are the real risks we're facing, particularly with the wars in Ukraine and Gaza going on? How do you see the world today? Are we on the brink of a Third World War now? It seems we're falling right into Thucydides's trap. How can we avoid it?

Graham Allison: I know many Chinese very well, but I don't know in a broad sweep, how many Chinese have much appreciation of history. In the US, it's often said we live in the United States of Amnesia. People think if something

didn't happen in my lifetime, it couldn't happen. So if you say there could be a war, people will say no, no, wars are obsolete. How about a real war in Europe? Most Europeans couldn't believe it until all of a sudden, they found Putin invading Ukraine. And now, as you saw at Munich, there's this kind of wake-up happening across Europe as people realize that there really are tanks and planes and missiles that are exploding and killing people. When I talk to students at Harvard about a great power war, they say it couldn't happen because it hasn't happened in my lifetime or my parent's lifetime, as if that was the dispositive. So that means it couldn't happen? Absolutely not. Or how about nuclear weapons? People think they're obsolete or forbidden or taboo. Are taboos never broken? I would say it's very hard to get people to think seriously about the clearly real, undeniable risks in the international security environment.

So was it a real serious threat when Putin began talking about conducting tactical nuclear weapon strikes on Ukraine back in October and November 2022 after the invasion. But then, once installed, the American intelligence community concluded the chance was about a 50% chance that Putin would have conducted nuclear strikes. They thought about this in a collaborative action between both the US and China. But then Xi Jinping issued a public warning saying, "We oppose any threat or use of nuclear weapons". Before he made such a public statement, which was when Chancellor Scholz was here in November of 2022, I'm sure he called Putin, with whom he has a very close relationship, and said that this is not a good idea, especially for China. In working with the US government, the thing I wished for most was that China would suggest to Putin why this was a bad idea. This is another interesting example of how thoughtful, serious leaders are taking seriously the possibility that one thing could lead to the other and possibly war, even a great power war.

A second example is the fact that Biden and Xi met in San Francisco in the midst of a campaign in which there was obviously no political advantage to being friendly to China. Indeed, there's every political advantage for who can best China more dramatically. But Biden took out a long day to spend with Xi Jinping in which they could talk privately about what they really thought mattered. That included war, Taiwan, AI, climate, and the overall relationship. We don't know all the topics and we certainly don't know exactly what they said to each other, but it was great, because if you're going to have serious relations between the countries, you have to have private, candid, secure conversations between them, starting with the leaders.

If we look at what has happened since that meeting, you can infer a little bit about the conversation. We've been through a very rocky period over Taiwan with the elections and the election of a new President who has many inclinations towards trying to declare a more independent Taiwan. But the behavior of both the Chinese government and the American government has been very restrained, almost as if it's been choreographed a little bit. I usually try to read the tea leaves and see what to interpret and what I see is that we had two leaders, both serious about the problem, work their way through it.

I worry a lot about the ways in which misunderstandings, misperceptions,

miscalculations, and third-party provocations could end up dragging people to a place they don't want to go. And again, that's why I think it's been so important that the Biden-Xi conversations have continued and resulted in similar conversations among trusted agents on both sides, including the current working groups. So, I'm feeling somewhat more optimistic about the situation currently.

Henry Huiyao Wang: You have a very good perspective and answers on the current crisis we're facing, especially how important it is that top leaders from the US and China talk to each other and get on the same wavelength in terms of how to cooperate.

One thing I'd like to follow up on. You mentioned that you ask everyone to think about incentives to cooperate. As President Xi has said, we're living in a really intertwined world—“you are in us and we are in you”—we cannot separate. Today in the current global situation there are more common objectives or common interests to encourage all the parties to talk to each other.

We were at the Munich Security Conference three times in a row and we talked about climate change, which means that it's probably the top threat facing mankind. Then there's the recent pandemic, which resulted in big casualties for all of us because we didn't cooperate. And of course, there's the digital arena with AI and all those things.

So how do you think we can cooperate better? Should we create a new international mechanism or a multilateral system? There's talk about a multi-polar world, but there's no multi-polar system to support that yet. What should we do more or what can we work on to incentivize us to cooperate, especially between the US, China, and the EU as the three largest economies in the world? Like we said in Munich just last month, the three largest economies and the three most politically influential countries should set an example of how to work together so that we talk about our similarities and the common challenges instead of our differences.

Graham Allison: I agree. I think the reasons for working through this exercise, which include why I'm going to be a fierce competitor, but then also the list on the backside, why I'm going to be a serious cooperator, starts with our interests. When I start writing down my hierarchy of interests, the core interest of each state or the leader of each state is to ensure the survival of their state. If my survival depends on your survival, it really is “I am in you and you are in me”. I've used the analogy in America of what we call inseparable, conjoined Siamese twins. Imagine two human beings are born with the same GI system, two heads, two brains, but literally joined inseparably. In this situation, no matter how frustrating my behavior is, however dangerous my behavior is, or however deserving I am to be strangled, when you think about it, you think, “By strangling him, I may have a minute of satisfaction, but then I will have committed suicide.” That's a pretty powerful reason not to do those things and find some way to cooperate.

So I worked down the interests. First, there should be no great war, especially

nuclear, because at the end of that, everything would be destroyed. In terms of the climate, if either of us makes the climate inhabitable, we both have to find some way to cooperate and constrain the other. But it's not only the two. We just happen to be the two most important economies and the two most important societies. Obviously, we have to take into account some of the others.

I'll go down the list. How about the financial system? The financial system today is so entangled that in 2008 when Wall Street created a financial crisis that produced a great recession in the US, the world was teetering on the edge of a great depression. And why was that avoided? Because of cooperation between the US and China resulted in a joint stimulus. Hank Paulson, who was the Secretary of Treasury at that time and the principal actor on the American side, has said frequently that he thought the Chinese action was at least as important as the American stimulus. A great depression would not have been the end of the world, not as bad as a nuclear war, but it would have been pretty terrible. The Great Depression of the 1930s provided the environment in which emerged Nazis, fascists, and the forces that ended up leading to WWII.

Now, the pandemic. As you said, if a virus like Covid emerges somewhere, which it will again for sure, the impact on all societies is real. The interest, therefore, is in having early identification. With Covid, Chinese scientists published a genome sequence within six days or so, which was necessary for the creation of vaccines. Again, that was not sufficient cooperation in my view.

I think if we work down that list, we will find a lot of reasons for countries to cooperate. But I think that in a world in which things are "either-or" or "black and white", that doesn't quite work, which is why I think it's so important that we realize the complexity of the situation and realize that it's going to be a fierce rivalry on one hand and deeply cooperative on the other.

Working in the Spirit of Kissinger

Henry Huiyao Wang: You've given us lots of vivid examples. During the financial crisis, we actually worked together, which is really how the G20 was established. China passed a RMB 4 trillion stimulus package and during the early days of the Asian financial crisis, and refrained from devaluing the RMB. As President Xi has said, we're in the same boat, all more than 190 countries, and we have to work with each other. Now given the time, I have a final question before we open the floor to the media. I received your article with Henry Kissinger that was published on Foreign Affairs—his last piece and a great article that he co-authored with you. You and Kissinger were very visionary in proposing cooperation on AI, which can be a double-edged sword.

So, what's your advice for the future? This has already been brought to the attention of both governments, so maybe the world should be paying more attention? I was pleased to hear you mention Kissinger in your presentation. It's unfortunate that Dr Kissinger passed away, but do you see a new Kissinger coming up? Many of us look to you and others like Hank Paulson to steer us

through Sino-US relations in a more constructive way. We are really appreciative to you and Kissinger for making governments, in China and the US particularly, more aware of AI. I hope that we can continue to identify the risks and propose constructive solutions in the future.

Graham Allison: I first became a student of Henry Kissinger's way before most of the people here were born. I enrolled in his class when I was a graduate student at Harvard in 1965. The joke was, for Henry's hundredth birthday, there were several parties. People would occasionally give toasts and so forth. And he was introduced as the longest-suffering continuing education professor at Harvard while I was the slowest continuing education learner. And I said that I was proud of that. I continued learning from him all those years and I never had any encounter with him in which I didn't learn a lot. Then we became colleagues and friends and even co-authors.

He had become obsessed by AI as a new phenomenon and thought it would be as challenging for society as nuclear weapons had been when he was a young person working on these topics. However, he knew that they were very different. He became interested in this when he was about 95 years old and when he told me he was going to do this, I told him not to since he had enough things to think about and this was a whole new arena. He said no and that he was already thinking about it. Fortunately, Eric Schmidt, the guy who had been the chief executive of Google and who had been interested in AI, agreed to become a kind of tutor for both Henry and me. While we learned a lot, we didn't go very deep. Nonetheless, I think he rightly identified the possibilities of applications of AI that could have seriously catastrophic consequences for not only individual societies but for mankind.

So how do you put your head around that? On the one hand, it's tempting to say this is impossible. Never has a technology advanced at such a rate as AI is currently advancing. I had lunch today with one of the AI leaders here in China, trying to understand how he sees what's happening. Certainly, if you look at the American story, companies are doing everything they can to jump ahead of the other. This is different from nuclear, but if you go back 80 years when nuclear weapons were first introduced, similar questions of what was going to happen and whether they could be controlled, and whether there would be a nuclear Armageddon also appeared.

Lo and behold, as a result of strategic imagination, statecraft and intuitiveness, over the last 78 years, we've not seen a single nuclear weapon used in war, which is an amazing accomplishment. The job is not over, but we've made amazing progress. Nor has there been a great power war, which is again, historically unprecedented. Fortunately, Xi Jinping has been interested in AI already for a long time and he and Dr. Kissinger had talked about this a couple of times, including a very serious conversation about in August.

It seems to me that in that meeting and their conversations, they were clearly two serious leaders who took the challenge seriously. They agreed then to encourage early conversations both between some of their trusted agents because

the Chinese government is trying to make sure that in the development of AI, there are no rogue actors applying this in a way that could have catastrophic consequences for China. The US government is trying to do the same thing. So obviously we have common interests here.

In the nuclear arena, even though the US and the Soviet Union were at the time both superpowers and deadly adversaries, they could agree that it would be better if there were not more nuclear weapon states, which resulted in a non-proliferation regime that limited the number of new nuclear weapon states to prevent a world nuclear anarchy. Now today, there are two AI superpowers, but they slowed the development or “proliferation” of AI, especially large language models that could have the most dangerous applications. This will be difficult, but it's not impossible. It is a topic that needs to be pushed ahead and there will be Track-II conversations as well as academics working on it in both China and the US.

Henry Huiyao Wang: I'm glad that President Xi and President Biden talked about it when they met. This topic is really receiving a lot of attention from around the world. If the US and China can collaborate on this and prevent negative side effects, we will probably be in a better and safer world. We hope that you will carry on the Kissinger spirit and be a great supporter, promoter, and of course, great contributor to US-China relations.

Q&A Session

Henry Huiyao Wang: Let's take some questions from the press.

Yuyuantan Tian, China Media Group (CMG): I noticed that recently the US House of Representatives passed the TikTok Divestiture Bill and the US government also continued to restrict the Chinese technology industry, which also influenced new energy vehicles. What do you think of the competition between the Chinese and US governments? Also, what do you think can be done to avoid the Thucydides Trap?

Graham Allison: In the technology arena, we should expect the rivalry to become more intense. One sees that in part in the attempt by the US to constrain the exports of the most advanced semiconductors, which is already having some impact on the development of AI here in China. That's because, in many arenas, the US and China will be fierce rivals, each attempting to be ahead of the other as far as it can be. I would say that rivalry is almost inevitable.

In the EV space, or in the green technologies, it seems we've got more interest in it because, thanks to China's industrial policy and the innovation and operations of its own companies, China now essentially owns everything green and clean. I wrote a piece called “Will America's green future be Red?”. China produces 70% or 80% of the inputs for every green technology, such as

solar batteries. Last year, China installed more solar panels in China than the US installed in the US in the whole 25 years in which the US has been installing solar panels. This is absolutely amazing. What China did this year in renewable technologies was such a great leap forward that it's quite likely that China's goal to peak the greenhouse gas emissions by 2030, goal might be met by 2025 and possibly sooner. This capability is great for the world.

Chinese solar panels are 70% cheaper than anybody else's and the more they're used globally, the more this will reproduce energy without greenhouse gases, which is better for the biosphere. On the other hand, for example an auto company in the US or in Germany, and BYD wants to sell its EVs in the US or Europe, this is a problem. You can buy a BYD entry-level car for less than \$10,000 here in China, while the cheapest EV in the US costs about \$27,000 or \$28,000. China mass produces or scale produces manufactured products as a dominant ecosystem, but the impact of that on other nation's economies, companies, and unions will lead to a lot of pushback.

So I would say that's another arena where there are balances and tradeoffs. I'm expecting a future in which there will be very fierce competition and constraints, but also debates and discussion. There's a good book that was published this year called "Chip War" and I'm sure there will be more books called "EV War", "Green War" and "Tech War". There will be competition and rivalry, but that will have to be balanced. This is going to be a struggle, but you need to be balanced in the idea that while we're rivals, we're also interdependent partners. That's my bet about the likely future.

Phoenix TV: My name is Emily and I'm from Phoenix TV. US Ambassador Nicholas Burns recently described the relationship between China and the US as a battle of ideas, but the American scholar John Mearsheimer has long warned that these kinds of ideological claims are a great illusion of the US. What do you think the two countries ultimately competing about? Also, what do you think will happen if former President Donald Trump takes office again?

Graham Allison: These are two very different questions, but the battle of ideas, which could also be viewed as an ideological conflict or the systems' conflict, is complicated and too frequently oversimplified. President Biden describes this as "the battle between democracy and autocracy". I don't think that quite captures the essence of it, but I think there is ultimately a battle of ideas about how to organize and govern a society.

Xi Jinping believes that governing a complex society like China requires a party-led, in my terms, autocracy, or a more authoritative system in which the Party is basically the leadership vanguard and plays a critical role in leading the society in order to create sufficient order that results in a successful society. That story is playing out and if you look at China's spectacular growth over the past generation or two, it's been pretty impressive. Nobody can deny it.

The American story is a different story. Whereas today's China defines order as Xi Jinping leadership and Chinese tradition defines order as kind of a simple

political idea, American society has been built on a different idea that puts individual liberty as the central idea. The American Declaration of Independence declares universally, that all human beings are created and endowed by their Creator with "Life, Liberty, and the Pursuit of Happiness." So that means everybody, Hong Kongese, Taiwanese, Chinese, Indians, Africans, everybody. And Americans have been historically pretty persistent in trying to promote those ideas, even though they have been struggling to realize them at home, which has been the struggle within the society.

So my resolution or suggestion on how to resolve this is that as long as the US and China compete peacefully in the world in which they are coexisting, they will show which model can better govern their societies and better produce what people want, which seems reasonable to me. With the complexities of the 21st century and absolute overload of information and misinformation, the question is whether a society like the US can remain unified or ends up becoming so sharply divided or can function successfully as opposed to being dysfunctional. On the other hand, there is also the question of whether the Chinese system will fall victim to the traditional weaknesses and failures of an autocracy because it becomes more insecure, controlling, and cautious, thereby limiting the imagination and innovation that comes from a more open and freer society. My suggestion about this has always been that we should let the experiment play out over the next 10, 20, or 50 years. It may turn out that 50 years from now, everybody agrees to be governed more like this or that.

Trump is another big wild card and you're probably having trouble believing that Donald Trump will be the nominee of the Republican Party for election in 2024. Certainly, most Americans have been very slow to wake up to that fact. The elephant in the room was this idea that, wait a minute, is Trump real? Could this be happening? Is this America? What the hell is going on? I would say, yes, it's real. Trump will be the Republican nominee. If the election were held today, it's essentially a toss-up. He's actually slightly ahead in most of the swing states.

So if he should return to office, then I think this will be a very different relationship. We saw the first installment of that in his first term, when you had a President who hadn't really figured out how government worked because there were many traditional American foreign policy types like Secretary of Defense James Mattis, who frustrated Trump. The system resisted him, but I think this time it is likely he will have lieutenants who are more loyal and would be able to do more of the things that he intended to do. If Thucydides is watching, he would say stay tuned.

Beijing News: I have a question also about the US elections. What are your expectations for relations between China and the United States in 2024 since relations tend to be much more fragile in an election year? Also, you just stated what would happen if former President Donald Trump were reelected, but what would happen if President Biden were reelected? Would there be more positive policies toward China since he's already had four years in office?

Graham Allison: That gives me an opportunity to say something that I wanted to say, so let me be precise here.

Though I've said to several people already, I want to apologize as an American for what you're likely to see in the year ahead. The US has entered what Americans call our "silly season", in which case the hyperbole that's so common in political discourse already, becomes so extreme that connection between what comes out of politicians' mouths and reality almost disconnects. Unfortunately, that's true for both candidates, for both campaigns.

In the case of this 2024 campaign, one thing almost everybody can agree on is bashing China. So you're going to hear lots of terrible, nasty things said about China by the two candidates, by candidates for the Senate, by candidates for Congress. You can hardly get in trouble in the US for saying something nasty about China and people seem to compete to see who can be tougher on China.

What I say to Chinese colleagues in the government and outside, especially for people in the press, is that you have to remember Americans are strange and American campaigns are unusual. Americans are people that engage in American football games, in which two people who know each other well, but are on opposite teams, play for 60 minutes trying to crush the other person violently, and then at the end of the game, put their arms around each other and go have a beer. I have some Chinese students at Harvard who told me this is crazy because you can't have one hand slapping someone and the other hand hugging them. But I told them, normal people maybe don't do that, but Americans do.

But here's one consolation in that picture. Remember that no matter how nasty what is said about China by either candidate is, Trump or Biden will say even nastier things about their opponent. I'm not trying to excuse this or justify it, but when you hear someone say something about Xi Jinping or China that you think is over the top, watch and see what they say about their American opponent and it will be even more extreme.

For the second question, let me go back to the point I made earlier. During the San Francisco meeting and in what the Chinese government calls "the spirit of San Francisco" that followed, we got a pretty good picture of Biden and what he believes about the relationship between the US and China. Though he did not like the fact that the relationship was spiraling downwards, he began a mid-course correction halfway through his term that began in Bali where he and Xi had a very good conversation. Then there was the balloon incident, which blew things off course for a bit, but then was recovered in the first meetings between Jake Sullivan and Wang Yi, and then by Biden and Xi in San Francisco.

I believe their serious private, candid conversation was about building not a floor, but a foundation for a stable, sustainable relationship going forward. They'll have a big chunk of competition and rivalry, with a big chunk of cooperation and partnership. And I think they and their governments are struggling to find ways to articulate that, which is another reason why I think this is an opportunity for people in the analytic community, both in China and in the US, to try to help the world appreciate that the reality does really require that both of these things happen at the same time. It will be uncomfortable and messy,

but if you're in me and I'm in you, we're probably going to find a way to coexist.

Phoenix New Media: I also went to the Munich Security Conference this year and I'm very interested in your concept of Climate MAD (Mutual Assured Destruction). I'd imagine it's popular among elites or policy-makers, but populists, especially climate skeptics like Donald Trump, might not buy it. So how do you think you could turn this wonderful concept into action?

Graham Allison: First, I think it will help to have both in the analytic community and in the press discuss what Climate MAD means. Most people don't quite get it. Today, most people agree climate is a serious threat and that we need to take major actions to deal with greenhouse gas emissions. But most people still haven't quite got to the point that John Kennedy got to after the Cuban Missile Crisis. We live on a very small planet with an enclosed biosphere and it's just a physical fact that my greenhouse gas emissions and yours go into the same biosphere, so it doesn't really make much difference which one of us emits the greenhouse gases. The impact is the same on both of us. Either of us could, on the previous trajectory, make the whole thing really uninhabitable for both of us, which is a pretty powerful motivation.

I think the government is recognizing that motivation. China dramatically have now taken it seriously, advancing the technologies that will allow human beings to meet their energy demands, which they are going to meet by renewable alternatives that don't have such severe climate consequences.

I think this is an area where there's general public recognition, but where one could more clearly state what the potential risks are, and why China made a great leap for mankind in advancing green technologies at prices that could be affordable globally, allowing people to meet energy demands with fewer greenhouse emissions. From the US side, Biden certainly gets the idea, and a substantial part of what the Inflation Reduction Act is about is setting very ambitious targets for greenhouse gas emissions, and then trying to develop and deploy the technologies that'll make this possible.

That's the good news side of it. But as we go back to the earlier question, the bad news side is that each is concerned about whether China or the US makes the technology advances, but if it's made and both of us can use it, that's great. If a vaccine or a medicine was invented in China that would help my wife recover from a disease, I would give thanks to whoever did it because those are advances for mankind. But at the same time, they have distributional consequences. While this could constrain unreasonable competitive instincts, the balance will be the challenge for leadership. But I think in Biden and Xi Jinping, we have leaders who understand that.

Shifting Sands of Soft Power in the Context of Great-Power Competition

A Dialogue with Joseph S. Nye, Jr.

Henry Huiyao Wang and Joseph S. Nye, Jr.

The world is facing an unprecedented situation in terms of great power rivalry and one of the most important factors in competition between the US and China will be their soft power. It is the tools of soft power, including culture, people and non-governmental institutions that will make a huge difference in making this relationship more cooperative.

The following is a conversation between CCG President Dr. Henry Huiyao Wang and Professor Joseph S. Nye in which they discuss topics such as decoupling, debate over the possibility of a new Cold War, and the role of soft power in a US-China rivalry.



Henry Huiyao Wang in dialogue with Joseph S. Nye, Jr. at the book launch event of Soft Power and Great-Power Competition held in CCG's Beijing office

Joseph S. Nye, Jr. is the Distinguished Service Professor, Emeritus and former Dean of the Harvard Kennedy School. He won a Rhodes Scholarship to Oxford University, and earned a PhD in political science from Harvard. He has served as Assistant Secretary of Defense for International Security Affairs, Chair of the National Intelligence Council, Deputy Under Secretary of State for Security Assistance, Science and Technology. His representative publications include *Soft Power: The Means To Success In World Politics* (PublicAffairs, 2004); *Do Morals Matter?: Presidents and Foreign Policy from FDR to Trump* (Oxford University Press, 2020). He is a fellow of the American Academy of Arts and Sciences, the British Academy, and the American Academy of Diplomacy.

Promoting Cooperation amid Competition

Henry Huiyao Wang: Professor Nye is the father of the theory of soft power, which is a great term. With the increasing competition between China and the US, what can we do to improve things on both sides in terms of soft power to increase convergence and minimize divergence. So we need some new ideas and new thoughts to show how China is engaging more internationally by providing public goods through initiatives like the Global Development Initiative, Global Civilization Initiative and Global Security Initiative. China is also actively engaged in making peace between Ukraine and Russia with President Xi speaking with President Zelenskyy just a few days ago. How do you view cooperation between China and the US in the context of rivalry and competition? How can we improve the situation?

Joseph S. Nye, Jr.: I would say that there are aspects of soft power that are part of the competition. China supports a project in Africa under The Belt and Road Initiative that is designed to make China more attractive. Similarly, USAID supports a project in Africa that is designed to make the US more attractive, so that aspect of soft power can be part of the rivalry; in others, it's competitive. But the point that I was trying to make in my comments is that there is an aspect of soft power, which can be joint again, and that's when China feels more attracted to the US and the US feels more attracted to China, and that's the thing that will enhance our ability to cooperate. Our ability to compete is quite obvious. The question is, how can we increase our ability to cooperate? And I am a big believer in increased people-to-people contacts, so more students, journalists, and tourists. I think these visits, in both directions, are helpful in developing soft power. They key is not that one doesn't complain about the other country, but that one understands the other country. And it's harder to demonize another people if you have actually had personal contact with them. I would stress that there is a competitive aspect of soft power, but there can also be a cooperative aspect of soft power. I would start with more people-to-people contacts.

Henry Huiyao Wang: I think you're right. Before the pandemic, China and the US used to have five million tourists going back and forth and regular exchanges going on. Currently, we have still 300,000 Chinese students registered at US universities, but there are only a few hundred US students in China. Covid has done a lot of damage to those exchanges. You're right that we have to work together. You mentioned healthy competition, cooperation and soft power, but we should push forward in positive areas like cooperation on climate change, public health and preventing pandemics, preventing nuclear proliferation, and how to promote more Global South development including development through organizations like AIIB, which China set up.

I recall you mentioning there seems to be a cycle about every 20 years where we reach a new equilibrium, or new point of change. Before the US and China established diplomatic ties, there was a lot of containment and there was a Cold War mentality. But after 20 some years, we started to relax and became more friendly and cooperative. Unfortunately, we are having all those difficulties again and there seems to be more and more misunderstanding and mistrust. When do you think China and the US will be able to reach a new equilibrium or just realize we've got to live together, because mankind is facing an unprecedented challenge and we have to work together. If we can avoid a hot war and build up understanding by 2035 or 2040, we can say that we really have to live together and cannot separate. What do you think about this? How long will this difficult period be and how can we overcome this challenge?

Joseph S. Nye, Jr.: If we look back on US-China relations in the 70 years since 1949, the first two decades were open hostility; we even fought each other on the Korean Peninsula. That was followed by the period in the 1970s into the early 1980s after Nixon and Mao met and the US and China cooperated out of concern for the Soviet Union. That was then followed by the economic policies of Deng Xiaoping, with a period of economic engagement, which culminated in some ways with the US support for China joining the World Trade Organization in 2001. That period of engagement continued up until about 2015 or 2016, when the stress or emphasis was placed on great power competition.

Roughly speaking, these different periods have been a decade or two each. Now, if you date this most recent period from about 2016 or 2017, you can say that we're six or seven years into the current period of great power competition. Who knows whether it will take two decades for us to see our way through this period. History is not deterministic. We can also make mistakes of making decisions that put things in the wrong direction.

In this current period, I think the important thing will be to realize that there will be competition, but it's important to have guardrails on competition, to make sure that we have constant communication with each other at the highest levels, and that we understand what each other's red lines are, and we also understand not getting ourselves into a crisis situation.

I think the current period is likely to last for another decade or so, though nobody can be sure. We have to make sure that we wind up working together to

make sure that things don't get out of hand. And that's often summarized by the "guardrails", which are made to make sure we don't go off the road.

Signs of Decoupling and a New Cold War

Henry Huiyao Wang: During the Bali Summit last November, when President Xi and President Biden met, they said they would begin to establish some guidelines for bilateral relations. We were expecting some high-level visits, but unfortunately that's not happened. I think it's important to have high level visits on both sides, rather than Taiwanese representatives visiting the US. How can we increase this dialogue and prevent decoupling? Now we see the US proposing a China policy of competition with a lack of cooperation and a lot of rivalry. What do you think of this? Are we getting into another Cold War? Are we really decoupling? With what we've seen lately with the CHIPS Act and new policies aimed at China, it really seems so.

We should have more visits, not only at the presidential level, but congressional level as well. I wrote an op-ed in the South China Morning Post about two weeks ago that encouraged American congressmen and senators to visit China, and vice versa with NPC delegates and CPPCC members visiting the United States, but we should have dialogues at all levels, not just government. We haven't seen ministerial level visits yet and the last time the US Secretary of State visited China was more than five years ago. What do you think about high level visits? Are we really economically decoupling or are we entering some kind of Cold Cold War? How can we avoid that?

Joseph S. Nye, Jr.: I think when we talk about decoupling, we're often speak to a wide range of inter-dependencies. In great power competition, there will be decoupling in some areas which are seen as central for security. Americans, for example, are suspicious about the security implications of allowing a company like Huawei or ZTE to build American 5G communication systems. And similarly, China has not allowed American social media companies to operate freely in China, i.e. the Googles of this world. So it's understandable that where security is concerned, there may be decoupling in those areas.

The important thing would be to have discussions about the overall economic relationship, identifying some areas where, for security reasons, we are not going to allow deep integration or interdependence to exist. But there are some other areas where we should say these don't have security implications, like trade, grains or solar panels, which we're not going to interfere with. Then there will be some areas in between that will be disputed as to whether security is threatened or not. Those may warrant special arrangements for discussion as to how we will each treat them. Secretary of the Treasury Janet Yellen gave a quite good speech in the last week, which suggested something along these lines of approach.

I reject the idea of calling this a new Cold War, because while there's intense competition, there is a high degree of interdependence, both economic and

ecological, that never existed during the Cold War between the United States and the Soviet Union.

I think there are procedures we can take, to make sure we have dialogues in specific ways that don't let decoupling go too far. And I think that these probably would be bolstered by having more regular meetings by the highest political leaders like President Xi and President Biden, but it has to be at many levels at the same time. I think we should get away from seeing the issue as to decouple or not decouple. There will be some selective decoupling, but we should not let it spill over into allusions that widespread decoupling would do a great harm to both of our economies and to the world economy. And as I mentioned earlier, in the area of ecological interdependence, it's meaningless to talk about decoupling.

Henry Huiyao Wang: You are right. We are really deeply linked with each other in the areas of climate and carbon dioxide emissions, which cannot be decoupled. China and the US have been the two largest emitters of the carbon dioxide, and we have to work together to solve this problem. This is the same for the pandemic, which knows no borders. I remember last time when we talked, you said that the US and China may set up global foundation for fighting the pandemic, but unfortunately that didn't happen. There was no cooperation, and we saw many deaths and devastating economic damage in both countries.

On the global governance level, the UN has been around for 78 years now, while other US-led institutions like the WTO, World Bank and the IMF have been around for a while too. But the US is not that active now and even withdrew from some of them under Trump as in the WHO and TPP. Do you think the world is becoming multi-polar? A uni-polar world may be efficient and effective, but there's only one big country driving everything and setting all agendas. Today's world is more multi-polar and should be at least a G3 world made up of China, the US and the EU. In this multi-polar world, we should also focus more on the Global South, especially how we can fund infrastructure wisely and ensure all the major players have a voice in global governance. Right now, we have only the G20, which is more focused on economics. There are also a lot of regional security alliances that have been set up, which is a confrontation to the multilateral system to some extent. So how can we create set a better multilateral system that fits the reality of a multi-polar world?

Joseph S. Nye, Jr.: Let me start by saying I think President Trump was a step backward for the United States. I think he did not serve our interests or the global interest by the steps he took. It's interesting that President Biden has reversed many of those steps by rejoining the Paris Climate Accords and the World Health Organization. However, during pandemics, the World Health Organization, can't solve these problems; it can only act as a facilitator of relations between the US and China and other countries at the scientific level as in SARS in the early 2000s when there was an extraordinary amount of cooperation between Chinese and American scientists as well as others, who were aided by the WHO and led to a great deal of cooperation which kept SARS from spreading. When we got

to Covid, we didn't have that cooperation, and Covid spread. I think the answer there is to let scientists work more freely with each other. The WHO can be one of the helpful devices to do that. But it's going to require also greater scientist-to-scientist cooperation.

Going back to the climate example, the Intergovernmental Panel on Climate Change is essentially a panel of scientists from around the world and recently produced its latest report on the problem of climate change, which warned us that things are worse than we expected. The important thing about the Intergovernmental Panel is that its scientists were highly respected and from many countries, which means their advice is more likely to be taken.

We can think about the high-level political relationships you mentioned, things like AUKUS or the Quad and so forth, but I think we also have to think about beginning to knit the world together at the practical working level of scientists, economists and engineers. Hopefully, some day competition will ease and that can expand. But at this stage, given the problems of competition, I'd focus on seeing if we can't enhance cooperation similar to what we had during SARS or such as we see now in the Intergovernmental Panel on Climate Change.

Henry Huiyao Wang: Situations like SARS and Ebola, are good examples of how we used to work together to successfully contain diseases. Covid-19 has been a disaster for the whole world and stopped international travel to and from China as well as many other countries. Instead of more politically oriented security alliances, we should have more alliances in science, education, economy and trade. These seem to be depressed, since we are placing more emphasis on security and competition. I agree with you that we need to revive people to people exchanges between scientists, scholars, organizations and cultural spheres, especially with opinion leaders like you and many others in the world. I was at the Munich Security Conference in February where CCG held a big side event with more than 20 American scholars, think tank experts, and officials. Graham Allison, your Harvard colleague, said that we're talking too much about competition today and should talk about cooperation, at least as frequently as we do competition.

I think we are moving toward a multi-polar world and China will play more roles. In the context of the Russia-Ukraine war, nine European leaders have visited China, calling on it to be more active in this time of and crisis. China has been really forthcoming with President Xi talking to President Zelenskyy two days ago and plans to send an envoy to Kyiv and probably Moscow, to really try and work with the international community to save the peace process. What do you think about this big threat we're having now? Is there the possibility of a nuclear war? China said in its peace proposal that there should be no nuclear weapons used, no bombing of civilians, and that sovereignty should be preserved.

How can we work this out? I called for a seven-party talk in a New York Times op-ed about a year ago that could include the five permanent members of the UN Security Council plus Ukraine and the EU. We have been plagued by this war for over a year now. How long are we can we survive this huge disruption?

As a security expert, can you share some of your views on this before we open the floor to questions from our audience?

Joseph S. Nye, Jr.: I applaud President Xi's phone call with President Zelenskyy. I think that was a very important step in the right direction. I also agree with the statements that President Xi made, but I frankly think we have to speak to the fact that Russia crossed a border into an independent country and now is controlling nearly one fifth of that country. If we just have a cease fire that leaves Russia in control one fifth of Ukraine, it's not going to be adequate because it violates the basic norms of the United Nations. In that sense, I'm a little disappointed that China hasn't been more critical of Russia for its actions. But if China can now be a mediator, and if it can persuade the Russians to give back some of the territory that they've taken by force, that would be an enormous benefit to the world and would also greatly increase China's soft power in Europe, the United States and elsewhere. This is why I'm very pleased to see the phone call between President Xi and President Zelenskyy. But it'll have to go further than it has gone so far and China's going to have to take a more active role in trying to press Russia to give back some of the territories that it's taken. The danger I see is that this war could go on for a long time. That's bad for Ukraine, it's bad for Russia and bad for the world.

Henry Huiyao Wang: The same is true for China's role in the peace between Saudi Arabia and Iran, which have had direct talks and established diplomatic ties. I think China could do more and if they do, it would not only enhance its international soft power, it would also improve relations with Western countries and many developing countries.

From Rivalry and Conflict to Soft Power and a Path to Peace

Henry Huiyao Wang: We've collected a number of questions, especially from the Chinese press. First, there's a question from the Global Times about your new book, *Soft Power and Great-Power Competition: Shifting Sands in the Balance of Power between the United States and China*, in which you say the US-China relationship should maintain a "cooperative rivalry" in which the terms of competition will require equal attention to both sides of this oxymoron. How would you describe China-US ties today? What can be done to improve them? If the US sees this as a cooperative rivalry, then cooperation could still be emphasized. You also stress that China does not pose an existential threat to the US and that the two should maintain engagement and cooperation. What is your argument for this, which seems to be quite different from what we often hear from American media? Finally, what do you think of the prospects for China's Global Civilization Initiative? Is that related to soft power?

Joseph S. Nye, Jr.: There are series of interesting questions there. Let me start

with the basic question of will there be cooperation if the rivalry of the United States poses a threat to the existence of China, and whether China poses a threat to the existence of the United States. My answer to that is no. China is too big for the United States to change or to control, and the US is too big for China to change or control. In that sense, it's not as though either of our countries poses a threat to the existence of the other. The only way in which we can destroy each other or be a threat to our existence is if we blunder into war.

And if you look back at history, the threats that some people in America imagine are China attacking the US like Japan attacked Pearl Harbor in 1941. That to me, is not the threat that China poses to the US. The threat is more like 1914, in which the European powers thought they were going to have a very short, sharp war in which the troops would be home by Christmas time, and everything would clear up. And instead they wound up with four years of a terrible war that killed over 10 million people and destroyed empires. To me, the existential danger is the blunder we fell into in 1914, not the attack by Japan in 1941. I think that's why guardrails are so important and to get this cooperation going, we're going to have to have more meetings like the one President Xi and President Biden had in Bali. But these will have to be more regular. If the two Presidents emphasize the importance of cooperation, that will essentially send a signal to the bureaucracy.

I don't think we pose existential threats to each other, but if we are not attentive and blunder into the war, we could. The way to avoid that is by having our presidents indicate that they want our societies and governments, to set up pretty frequent communications and also guardrails.

Henry Huiyao Wang: That's really a great point that we're probably not in a 1941 Pearl Harbor situation, but more of a 1914 accidental conflict situation, which makes frequent dialogues, high-level visits, and a whole society approach even more important. Another question from CGTN, one of the major news channels in China, which is asking about something you mentioned in speech about a decade ago, which is the narrative of "one nation is rising while another is falling" that comes out almost every few years. For example, many predicted it was the end for the US during the 2008 financial crisis, but it wasn't. Now a decade later, a similar narrative has begun about China's rising and the US' falling. Do you think this could happen? What are the variables in China-US relations?

Joseph S. Nye, Jr.: I think if you look back at American foreign policy over the last 70 years, it's interesting to see that the Americans themselves think that they're declining about every 10 or 20 years. This was true when we thought that Russia was ahead of us when they launched Sputnik. It was true after the Arab oil embargo in the 1970s and occurred again when Japan's economy was doing well in the 1980s. The Americans are always thinking they're in decline, but even though there were worries every decade, America did not decline. It's still the largest economy in the world and it's still the strongest military in the world, so

it's a great mistake to think about American decline. My impression is that after the 2008 economic crisis, which started in the US, there was a widespread view in China that the US was now in decline. And this is when China dropped Deng Xiaoping's cautious approach to foreign policy, which in turn made Americans more anxious and nervous, and it helps to stoke this period of great power rivalry that we're facing now. I think it would be a much healthier relationship if we got rid of these issues about rise and decline and just said, how can we both make sure we don't blunder into something that's disastrous? So declineism, whether it's in American belief or whether it's in Chinese belief, is a danger to both of us.

Henry Huiyao Wang: We shouldn't think in terms of decline or collapse. There was talk about China's collapse about 20 years ago, but China is still developing. We should get rid of this decline school of thought and arise altogether. That's probably a healthier way of looking at it.

I have another question from People's Daily, who notes that you've mentioned diplomacy is an important part of soft power and that the effective combination of soft power and hard power can produce "smart power". This year, China's diplomatic efforts have caught the world's attention, especially its role in Saudi-Iranian reconciliation and its proposal for peace in Ukraine. A number of European leaders have recently visited China, including French President Emmanuel Macron, while China has also proposed its Global Civilization Initiative. What do you think about China being more active now in the international arena? Can Chinese soft power help maintain the existing international order and how can we create more smart power?

Joseph S. Nye, Jr.: I think the steps that China has taken, such as encouraging the talks between Saudi Arabia and Iran in the Middle East is very healthy. It's good for the region and it's also good for China's soft power. Similarly, as we mentioned a few minutes ago, the efforts that President Xi is taking to work with President Zelenskyy to see if we can advance the chances of a peace agreement in Ukraine is good for those countries, but also good for Chinese soft power. I think a positive Chinese attitude is welcomed.

On the other hand, there are situations where China has conflicts with its neighbors, as with India over the border in the Himalayas. It doesn't do any good to set up a Confucius Institute in New Delhi to express the beauties of traditional Chinese culture if there are Chinese and Indians killing each other on the border in the Himalayas. That's why, if you look at attitudes in India toward China over the last few years, China has become less attractive rather than more attractive and will have to figure out ways to manage its border conflicts. It's not enough just to produce peace in the Middle East or in Ukraine. China also has to do this with its own neighbors, with whom it has border disputes. There are opportunities for China to increase its soft power, but there are also obstacles that have to be overcome and it will be interesting to see if China can overcome those obstacles. Also, in addition to peacemaking efforts, there was a period recently that we saw what is sometimes called "Wolf Warrior" diplomacy, in which China flouted

its strength. Such diplomacy, it might be domestically attractive, but it's very bad international politics in the sense that it antagonizes others. China has the capacity to increase its soft power in ways which are good for the rest of the world, but it also has some liabilities that it is going to have to overcome if it is to develop solid smart power.

Henry Huiyao Wang: Yes, sometimes there is misunderstanding and mistrust on both sides, which results in nationalism and populism when responding to a large domestic audience. I think the way to solve that is to have more dialogue, more visits and more communication, so that we control levels of populism and nationalism. I have another question from Beijing News: you describe US-China relations as a “cooperative rivalry”, but in reality it seems like cooperation between the two countries has been overshadowed by rivalry these days. Meanwhile, many unexpected incidents have provoked disputes between the two countries. In your opinion, what is the most urgent issue in US-China relations right now? How can this relationship withstand unexpected incidents and maintain a healthy “cooperative rivalry”?

Joseph S. Nye, Jr.: I've suggested some areas, like ecological interdependence, where we could try to stress cooperation. If there is more cooperation in these areas, it might have a spillover effect, which would be good for the relationship overall. Issues like the Chinese surveillance balloon that flew over American military sites in the northwestern United States and was then shot down, which the Chinese say was an accident, but the US thinks was deliberate should have a way in which they can be discussed. The fact is that the incident interfered with Secretary of State Blinken's trip to Beijing, speaking to the danger of a lack of communication. There should have been a way in which we could have restored Blinken's trip. These are some basic examples where our interdependence is great and could set examples for other aspects of the relationship, while in areas of security we should communicate with each other so that small incidents don't become large incidents.

Henry Huiyao Wang: That great advice. We should engage and talk more not only in the sensitive areas like security, but also to prevent small incidents becoming large incidents, generally reducing overall suspicion on both sides. Now we have a reporter from CCTV here with us today, He hopes to raise his question directly.

Huang Da (CCTV): Mr. Nye, I read your books starting in the early nineties and still read your books. It is a great honor to be able to talk face to face today. Today you've answered a lot of questions with the word “should”, but I'm more curious about the underlying reasons—the questions of why and how. You've put forward the idea that the United States and China do not pose the threat to each other and can benefit from cooperation. How did you come out to this conclusion? While you've defined US-China relations as a cooperative rivalry,

but recently we've seen more rivalry, especially from the United States, than cooperation. Why is this the case? What is the basis for cooperation between the United States and China? In which areas should and can both sides cooperate at the present time?

Joseph S. Nye, Jr.: I think at a very basic level, the answer to your question is that there has been an increase in nationalism in both countries. You see this in the United States with the election of Donald Trump, and you see it in China with what I earlier referred to as period of wolf-warrior diplomacy. I think there is a danger that arises from too much nationalism and that can lead us to focus on the rivalry and not enough on cooperation. What I suggested is that the leaders try to set an example and use some of the areas where there could be cooperation to spill over into other areas. And in addition to that, the idea of more people-to-people exchange, and scientist-to-scientist exchange, can help to develop the capacity for cooperation. But I think we have to be realistic and say that, in the current period, there is a greater tendency for nationalistic demonization of the other country, rather than for emphasis on the attractiveness of the other country. Media companies themselves play a very important role in that in terms of how the other side is presented, which is true in in both countries.

Henry Huiyao Wang: Joseph, you are such a rational, reasonable voice, which is what we need to hear. The world is entering an unprecedented new area of development, but we are not seeing cohesion, rather a division that is widening. How can we set aside our differences? Returning to a soft power approach is of course preferable and as you say we need to use more culture, more people-to-people in education and science, as well as tourism and journalism. We should also have more high-level visits and dialogues between member of government and people in areas of leadership. A whole society soft power approach is what we really need today, rather than hard power and hard alliances. We need soft power alliances and more cooperation, especially with the Global South. Leading economies in the world should work together to fight common threats like pandemics, climate change and nuclear proliferation, which is crucial. You've also reminded us how dangerous the world is today and if we aren't aware of that, we may be sleepwalking into a new conflict and even a Third World War. I'm convinced that we need to revive the idea of soft and smart power, which is why we highly recommend your books to readers, both in China and internationally.

Joseph S. Nye, Jr.: Thank you, Henry. My hope is that perhaps, as people take these ideas seriously in both countries, perhaps we can meet perhaps in a year or two and have a somewhat better world and better US China relationship than what we're seeing right now.

Henry Huiyao Wang: Thank you, Professor Nye, and thank you to CITIC Press and Springer Nature as well as all of our friends and the media representatives here today.

A Path Forward

In order to find our way through this shifting and changing environment, we must identify landmarks and fixed points to guide us forward. As with the Bedouins of Africa and Silk Road merchants of Central Asia that roamed the deserts and mountains linking East and West, we must also navigate a path forward to guide the world toward a more stable and more prosperous future.

Whether it is the war-ravaged landscape of Ukraine in its ongoing conflict with Russia, the continued tensions between the United States and China or the more general challenges that face the global order and international institutions, solutions and pathways are key to guiding us forward.

While the efforts of governments, including the United States, China and others, in finding a peaceful solution to the Russia-Ukraine conflict have resulted in proposed pathways toward peace, none have resulted in a lasting ceasefire or foreseeable end to the war. That said, these are steps forward along the pathway toward peace. In terms of the US and China, there are certain issues that continue to evade resolution, but one solution may be 'building a floor' upon which relations between these two contemporary 'great-powers' can move forward. Meanwhile, in the overall contest of the global order, it is often important to reiterate and clarify the challenges we currently face and ensure that we are focusing on those that are firstly capable of being resolved, and secondly at a point where the time is right for those solutions to be implemented.

Finding this path forward is a slow and arduous process, but each step forward is a step that brings us closer to the ultimate goal of creating a world that is more stable and more prosperous for all nations and peoples.

Front-Row Beijing: Foreign Policy Perspectives with Ravi Agrawal and Henry Wang

A Dialogue with Ravi Agrawal

Henry Huiyao Wang and Ravi Agrawal

The shifting balance of power in the world today makes foreign policy, especially that of China and the United States, and hotly debated topic among analysts and pundits. This has become especially poignant as the world adapts to a second Trump administration in the US, which, since January, has been particularly volatile with policy seeming to shift on a daily basis, while China continues to take a wait-and-see attitude.

In the following dialogue, Ravi Agrawal, Editor-in-Chief of Foreign Policy, talks multipolarity and global governance with CCG President Henry Huiyao Wang, covering topics ranging from mutlipolarization and the role of the UN in a changing world to the many pressing issues facing the world today, including the war in Ukraine, climate change, developments in the US and the role of journalists.



Henry Huiyao Wang in dialogue with Ravi Agrawal at CCG's Beijing office

Ravi Agrawal is the editor-in-chief of *Foreign Policy*, one of the most influential current affairs magazines in the world. He's also the host of *FP Live*, the magazine's video channel and podcast, on which he regularly interviews world leaders and policymakers. Before joining *FP* and taking the helm at the publication in 2018, Agrawal worked at CNN for more than a decade, he also worked for three years on the show *GPS*, which is one of the most influential shows on TV on world affairs. He has shared a Peabody Award and three Emmy nominations for his work as a TV producer, and his writing for *FP* was part of a series nominated for a 2020 National Magazine Award for columns and commentary. Agrawal is the author of the book *India Connected: How the Smartphone Is Transforming the World's Largest Democracy* (2018).

This dialogue was moderated by Zichen Wang, Research fellow and Director of International Communication, Center for China and Globalization (CCG).

Ravi Agrawal: I'm very grateful to CCG for organising this lovely event today, but also for all of the work that it does because it creates touchpoints for many of us in the United States and elsewhere around the world to understand what is happening in China, to understand the Chinese perspective and point of view. I cannot tell you how important that role CCG plays to build Track-Two diplomacy to give us a better understanding of what is happening in this very, very important country.

Zichen Wang: Let's start a conversation between Henry Huiyao Wang and Ravi. Before it begins, please allow me to introduce Henry. He's the Founder and President of the Center for China and Globalization, one of the leading non-governmental think tanks in China. He was also a counsellor to the State Council, China's government cabinet, for two consecutive terms. So, Henry is a thinker. He's the leader of a think tank. He's, on many occasions, and I think Ravi would agree, the only Chinese face at events like the Munich Security Conference, the Paris Peace Forum, the Aspen Security Forum. All these are where all the leading thinkers, influencers, and voices gather together. And Henry is often only the Chinese face over there, trying to not just introduce a Chinese perspective, but also trying to build bridges and help all the world gain a better understanding of China and have a touchpoint, as you correctly described.

CCG has always been at the forefront of building bridges. For example, the CCG Global Dialogues regularly features leading thinkers from the United States, from Europe, from across the world. And the CCG is also a frequent inviter of influential thinkers and leaders like Ravi to come to Beijing, to talk to the people, to mingle with the ambassadors, diplomats, to come to meet Chinese officials and non-governmental actors. So, without further ado, let's welcome them to have a conversation between themselves.

Henry Huiyao Wang: Ravi mentioned that the global system is under extreme pressure and strain. And as we know, this year, 2025, is the 80th anniversary

of the founding of the UN. So it's time to reflect, to look at this. And I think globalisation, as we know, will probably change. But of course, the mega trend somehow still continues. I particularly agree with you on this widening gap and also the society strata that is not really well maintained in the last 40 or 50 years. One of the things is that we've found that we all have domestic problems, but then maybe we all say it's other people's problem. So, what do we do? Because I know that the OECD actually proposed the Global Minimum Tax some time ago, and G20 and some 100 countries followed on that. China agrees with that.

If we can really get this kind of global system so that multinationals, if they make enough money, can support the local social programs in their home countries and then do more things, probably that would be a nice thing. We're doing that because we see that multinationalism is the big driver of globalisation, but then we're missing that kind of governance. And the OECD proposal is not really being implemented. That was a consensus two years ago. Now, it seems to be slowing down.

So, what do you think are the solutions? And then this global challenge and mismatch, what are the solutions we can find? Particularly, we're embracing another new industrial revolution, the green transition we're having now. You've been travelling and attending all the global events, and leading this very influential Foreign Policy magazine. So we'd love to hear from you.

Ravi Agrawal: You know, the solutions are always harder than diagnosing the problems. And it's strange. We're in a moment where I feel like everything I said, the left and the right would agree in every country. The diagnosis of the problems is the easy part. It's the how to fix it that becomes much, much harder.

I think it was the former European Commission President, Jean-Claude Juncker, who once said, we all know what to do, but if we did it, we'd never get elected again. And therein lies the problem. I think there is a kernel of an acknowledgement, a political acknowledgement that the solutions are not politically feasible.

I've long felt that most politicians don't give the people enough credit in that there's a sense that the people can't take the truth, that if you tell people the truth, they will make a bad decision, or they won't be able to take it. And I think if you are of the view that the biggest problems confronting the world in the next 20 or 30 years are related to the climate crisis and I think at this point, this is table stakes in any serious conversation. You have to be able to admit to the scope and scale of the problem. If you're to admit the scope and scale of the problem, there's little confusion then that that should provide a sense of clarity, that that needs to be the organising principle around which we all act. And therefore, if you have a leader who is not being honest about the scope and scale of that problem, to me, it's surprising that those leaders get reelected.

And part of that, I think, is generational. I think we are likely at a global tipping point where, because there's little doubt in my mind that younger people get this in their bones. Anyone under the age of 30 generally understands that the climate crisis is existential, that global migration flows are linked to climate

change, that many of the parts of the global system that I was describing—inequality, unfettered globalisation, unfettered urbanisation—many of those things aren't sustainable in the way that they were going. And therefore, I think young people, especially, are readier for truth from their leaders than they've ever been before.

And I think the leaders from the left and the right who are the fastest to understand this, who are the fastest to understand that their populations are ready for the truth and they're ready for radical solutions and that they're ready for an element of pain as well if the pain leads to radical solutions that could help them, I think the leaders who are the fastest to grasp that about how younger people think will be the leaders who will emerge with intelligent, smart reforms that could fix elements of the broken system that we're talking about. I think leaders who continue to lie about these problems will just kick the can down the road, but they're not going to last. Because ultimately, even in the limited time we have, given the scale of the crisis I'm describing, ultimately, if all you do is kick the can down the road, you will be found out. We have to have that much faith in the way in which people power works.

Henry Huiyao Wang: I agree with you. I think that we're lacking unity in confronting these common challenges to mankind. As you singled out, climate change is one of the most pressing challenges for mankind.

And yet, we hear some pulling back on the efforts, like the US recently withdrawing from the Paris Agreement. It's quite disappointing, I think, for probably many people. But, you know, we were both at the Munich Security Conference this year. I was there when we launched this report as part of a panel with the Munich Security Chairman Christoph Heusgen on multipolarisation. For the first time, the transatlantic conference recognised that multipolarity is a reality. We heard many European leaders, including the German Chancellor, mention that many times.

So, we've gotten used to the unipolar world and now the question is how are we going to navigate this multipolar world? Global governance is falling behind global practice. What do you think of the reemergence of the Global South, like India, China, and the BRICS countries? I would say the G7 is playing a more minimal role now. Even President Trump left early. How should we view the G20? We're going to have it in South Africa soon, and then APEC in Seoul later this year.

What do you think about global governance, while the UN and Bretton Woods system seem to be getting more dysfunctional? What are other systems we can build on? AI is also coming up and there's no governance at all. We're facing a disrupted and disorganised world. What are your thoughts on those things?

Ravi Agrawal: It's a new world disorder that we're entering. If we acknowledge and diagnose the problems in the same way, the challenge then is, how do you fix it? And I hinted at this in my remarks earlier, but the people who seem to be controlling the moment right now are the people with ideas for revolution.

And while we do need radical solutions, I do think that the radicalism still needs to work within some sort of system. If you speak to anyone who, no matter how critical you are of the UN, which is utterly paralyzed in many ways, if it didn't exist, you would invent it right now, right? So, should we blow up the UN, or should we figure out how to reform it? I think any sort of dispassionate, sensible discussion will come back to reform. So, inasmuch as the moment right now feels revolutionary, my own instinct is that the revolutionaries aren't going to win, because, you know, what plan do the revolutionaries have?

I'm yet to see a proposal for a new UN. I'm yet to see a great proposal for a new World Bank or a new IMF or a new system of maritime law or a new system of rules for cyber engagement. I mean, it's all building off of the same stuff that exists.

And therefore, we come back to reform. We come back to very boring nitty-gritty debates and discussions about adjustments. And really, it comes down to a discussion around equality. If one of the things that stymies the UN is the Security Council is the five countries with veto power, then they are at some point going to have to admit to devolving some of that power, to allow for a more inclusive system. I think that really is the only way forward and it only happens if these constituent countries have crises within them, but they're all at different levels, having some variant of a crisis, in addition to global crises—whether it's the climate crisis or wars or inequality or a hunger crisis or a heat crisis.

They will all have pressures from within that will force some sort of reckoning in the next decade. I think that really is our hope, that internal pressure leads to calmer, sensible minds among new leaders, who hopefully come up with reforms for a tweaked system that is more equitable, fairer and acknowledges a world that looks very different than the world that existed in 1945. Back in 1945, a country like India didn't even have independence and didn't have a say. The post-colonial world is a deeply different world, where countries that once had no say at all are clamoring for a say. And new leaders, no matter where they're from, will have to figure out a way to incorporate those voices. Otherwise, our system is going to remain incredibly tenuous.

Henry Huiyao Wang: Yes, that's true. Actually, we have to build on the existing system. I agree with you, the UN reform is absolutely necessary to reflect this multipolar world.

Now we also see a rise in geopolitical tensions. We have the Russian war on Ukraine, we have Gaza, and the world seems to be riskier. We're seeing war happening in our living rooms every day. It's scary and really terrifying to see people being bombarded every day.

What are the solutions for that? For example, we see European countries now are going to increase defense budgets to 5%. That's going to impact daily lives. If you have more guns and power, then you have less bread and butter. We have legitimate worries from European countries, but how can we secure a more peaceful and developed world? How do you see the prospects of this geopolitical conflict?

President Trump said he wants to be a president for peace. In his inaugural speech, he said he wants to be a unifier. So, I was thinking, since this year marks the 80th anniversary of the Second World War and the 80th anniversary of China's victory in the anti-Japanese war. There are three key occasions. One is China's victory parade on September 3rd. Then, there's the 80th anniversary summit at the UN, which all global leaders will probably attend. And there's the APEC Summit in November.

We've already seen reports that President Trump and President Xi may meet and they may even play a bigger role in peacemaking, involving President Putin, President Zelenskyy, and European leaders. Let's get a world peace summit, so that we can at least get a cease fire and then gradually figure out a way to get out of this mess.

Right now, I see fatigue on both sides—on Putin's side, but probably more on Zelenskyy's side. But I don't think any country can sustain such a long war. It's really very disturbing. I hope that by involving China and Global South countries like India, Brazil, and South Africa, that we can get extra guarantees for peace. What do you think of the prospect of making peace for this troubled world?

Ravi Agrawal: I like that you've been promoting this idea of a grand peace summit or meeting between Presidents Trump and Xi. We're at the point where any moves towards peace are things that should be cheered on. The question is, first of all, we need a ceasefire as step one. As step two, you need to figure out, what would a lasting peace look like? Not a peace that is short and then broken, and then we're back to square one. And that requires guarantee. And the question then is who provides those guarantees? And what form of guarantee would be palatable to both sides?

We know what the Ukrainians have already been asking for. They would like a guarantee from Europe or a guarantee from NATO, which, of course, would require a guarantee from the United States. For various reasons, that's been quite unlikely on the United States' side, although President Trump has flip-flopped on that front and he may be more likely to support Ukraine in the future. On the Russian side of it, it is less clear to me what it would take for President Putin to actually stop the war. It is less clear to me that he will abide by agreements.

And frankly, I think China here actually has immense leverage. It is now well acknowledged that when there were fears that Russia might have used or could use a sort of tactical nuclear device during the war, that China stepped in to sort of really make clear that this was a red line. So, I do think China has immense leverage with President Putin of Russia. And I would love to see China use that leverage more forcefully as a force for good more globally.

Look, I think China could win a lot of international fans were it to play a more active role. You know, the people who like to flatter President Trump to get him to do something, they often say that, Mr. President, you could win a Nobel Peace Prize if you do "x". And I think the variant of that here in China should be Beijing, were you to sort of push Russia to really stop this war, you could win a lot of soft power and popularity globally. It's sort of a variant of that because I do

believe it's true that China has this leverage.

You're right that it would take some variant of a so-called "neutral peace force" involving Chinese peacekeepers, or Indian peacekeepers, or BRICS peacekeepers involved in the mix for Putin to consider something that has a longer-term guarantee. But of course, one would have to keep in mind the Ukrainian point of view and all of this. I like your idea of a summit, a peace summit. But as you know better than anyone else, all the hard work has to be done ahead of time by diplomats who hammer out all the details.

Henry Huiyao Wang: Absolutely. I wrote an op-ed in The New York Times in early March of 2022, after the war broke out in Ukraine, where I said China could actively be involved to give an off-ramp for Putin. So, I was quite encouraged by what the US Defense Secretary said at the Munich Security Conference and at the NATO summit. To freeze borders, you really need peacekeeping forces, which have to be a combination of European troops and non-European troops. The US has already said they're not going to send any troops there. So, if it's non-European troops, I really think that BRICS countries—India, China, Brazil, and South Africa—could play a role. China actually made a peace proposal, a 12-point plan, followed by another peace proposal, a 6-point plan, made by China and Brazil. China, Brazil, South Africa, and the Friends of Peace in the UN began this initiative to resolve the Ukraine crisis.

But things look a bit stuck. President Trump has had so many phone calls with Putin, and it's gone nowhere. President Trump is frustrated and said we have to resume support. So, I think at this point, President Trump has probably realized it wasn't as easy to end the war as he thought, or for Russia to accept a ceasefire. They don't want NATO or European troops stationed for peacekeeping, because that's why they started it – they said that NATO troops were getting too close.

If we have a BRICS guarantee with China, India, Brazil, and other BRICS countries, in addition to NATO, EU, and US guarantees, Putin would probably feel things are more balanced. I think China does have a lot of influence as the largest trading partner of Russia. Russia's GDP went up 4.1% last year, and I think largely because it also had good trade with China.

The US has already made a big mining agreement with Ukraine, and Ukraine is a bellwether country for China, which could probably help Ukraine with reconstruction. Then, if we can really have a ceasefire and have the UN pass a resolution for a Security Council peace summit or a seven-party talk, including the EU and Ukraine, we can hopefully stop the mess there.

Ravi Agrawal: But let me ask you this: should there be consequences for President Putin? Should he be allowed to return to normal life? Let's say, in this scenario where you have a peace process brokered by all these countries, is it just back to normal for President Putin? No consequences for having started a war? I mean, I dispute the why. I don't think it's just because in his mind, NATO was approaching or a threat to Russia. I don't buy that thesis. But either way, should he face any consequences for war crimes committed in Ukraine?

Henry Huiyao Wang: Well, I think you raise a legitimate question. The thing is, I do think that European countries are going to have their opinion on Putin. But you see how President Trump has changed a lot, right? He used to say that there would be no talks and that we'll fight until the last Ukrainian. Now, Zelenskyy wants a 30-day ceasefire, but Putin didn't respond to that. And then Trump blamed Zelenskyy for starting a third world war at the White House.

I think the European countries are also largely influenced by the US in terms of what kind of trade or ceasefire deal they're going to get into. But I'm sure Europeans will still have their opinion, and I'm sure the BRICS countries would probably have a somewhat different view.

So, the most important thing is to stop the war, stop the killing, and stop the casualties. That's probably also President Trump's view. Then we'll leave it to history to punish Putin or to do whatever needs to be done. But I think the most important thing is that we should stop the killing of civilians. I agree with President Trump on that point. The many thousands of killings is terrible. We need to really stop that.

Trump's Tariffs on the World

Henry Huiyao Wang: I'd like to ask Ravi another question now. You know that we've been having this trade war. In Trump's second term, it seems China is really standing up to him. Canada also retaliated. But it looks like Trump is toughening up on other countries now. He's making demands of Vietnam, Indonesia, Japan, and even Europe now.

China reached agreements with the US in Geneva and London, and then this weekend in Stockholm. What do you see as the prospect of the world's two largest economies? It looks like Trump is going to raise tariffs on all countries by 15% more. Do you think the US is really going to make, as Trump says, billions or even trillions from this? Is it sustainable?

I think that even if the US has a little bit of a trade deficit, it enjoys a huge surplus in services and investment, because all countries are use US dollars and invest in US stock markets, which are hitting all-time highs. The US is benefiting from all these other sources, but you can't have it all. They also want the trade deficit eliminated, but what would be a practical solution?

Ravi Agrawal: It's a fool's errand to try and predict what Trump is going to do. And I think, you know, there's always a sense in other countries that there is some sort of grand strategy in this new White House on trade or on hemispheric politics. My sense is that there isn't a grand strategy. I think Trump, in many ways, is a gut-instinct politician. He has a diagnosis of what the problem is. He has a unique understanding of trade in his own way and economics, but I think he's sort of shooting from the hip, as it were. I think he's figuring out what to do day by day. And that's why it's increasingly impossible to predict where things are going to land.

I think for this audience here and everyone watching online, one way I have found useful to try and diagnose and understand Trump is that he's a TV producer. Trump is a TV producer for whom every single day is the equivalent of a reality TV show. And the most important thing in a reality TV show is that the audience has to keep on watching. And for the audience to keep on watching, you need unpredictability, drama, spice, and moments in the Oval Office that are unpredictable, volatile and roller-coasterish. You need suspense and outcomes that are tear-jerkers; that seem positive one day and negative the next.

Trump understands the ebb and flow of TV. He understands what will keep people's attention. And invariably, here we are talking about Trump and what might be on his mind. So, I think it's very important for those of us in the analyst class or journalists to keep in mind that Trump is programming our discussions. Trump is running a reality TV show. And once you understand that, it becomes easier then to understand what might happen next and how to work with them.

I think a lot of world leaders, for example, have figured out that flattery really works with President Trump. I think Keir Starmer, the British Prime Minister's really figured this out. He came to the White House, and he said, look, here's a letter. It's an invitation from the king for a second state visit. No one's ever come for a second state visit. This is really special and it worked with Trump. I think other leaders are figuring out that a mix of flattery, special projects, and quid pro quo works with the president as does ceremony and pomp and circumstance.

This is not really answering your question about trade and uncertainty, but what I'm getting at is that we're in for a roller coaster ride and a lot of flip-flops, which makes it hard to project. Economics will tell us that the impact of tariffs at the level and scale that Trump has proposed is not good. They're going to trickle down to regular consumers in the United States. It's a tax on middle-class Americans and poor Americans. The rich can afford it because proportionally the goods that they're buying affect them less. This is all well-known in basic economics. At some point, if high-level tariffs continue beyond the flip-flops, then there will be a sense and an understanding among the people and in economic data that the trickle-down effects are deleterious for a majority of Americans.

If that sense becomes solidified and popular and shows up in polls, then you might see a big reversal amid the flip-flops along the way. But it's impossible to predict and there isn't enough data right now. But again, remember that Trump is very tuned to polls and how people think. That, in turn, might be the best way to influence the President—lobby group pressure, and ultimately, people pressure. You know, the United States, whatever you might think of it, is a democracy. And in democracies, popular opinion matters.

On Global Education

Henry Huiyao Wang: You're a graduate of Harvard, and you were born in London, but you also grew up in India and studied in the US, and you've made

a very successful career at Foreign Policy magazine. What do you think about studying abroad? China used to be the largest source of students going to the United States. At its peak, it was almost 400,000 students. Now, it's down to around 270,000.

So, what's your advice for young people? We have some interns and young people here, and in our audience around the world. What are your views on cross-cultural experiences and learning English, and, how do young people in India view that? What about the view in the UK or Europe on studying in China? Do you think studying abroad is still a great experience and something we need in this more fragmented world, for cultural and people-to-people exchanges?

Ravi Agrawal: I think ultimately, continuing from where we were before, people power matters. If you vote with your feet, that is the biggest signal you can give a country and its policy-makers. Many Chinese have been going to the United States for higher education. I know your children have studied in the United States and many Chinese leaders have sent their children to the United States to study. Were that to stop, it would be a major signal of how you think about where your best prospects are.

I think the fact that so many important Chinese leaders, especially business leaders, have sent their kids to the United States for higher education is a vote of confidence in the American system. Were that to stop, it would be a massive body blow to American universities and more broadly to America's standing in the world.

In many senses, we think of democracy as a national thing, but it is also a global thing. If Chinese students or Indian students stop going to the United States, that's about half a million people already, right, annually? Were that flow to stop, American universities will really struggle and I have little doubt within a few years, they would put immense pressure on the government to figure out a better way to keep attracting international students, most of whom are paying full fees to study at all of these universities around America.

Much of the debate, by the way, in the media is focused on Harvard and Columbia, but it's much bigger than that. As you all know, America has over a hundred universities that are excellent and if were they to lose international students as a source of revenue, their futures would be imperiled. This is the first thing.

The second thing is that as China rises, more international students are going to come here. As India rises, more international students will go there. This flow of students, basically a flow of the future, is the most important form of voting that will define which countries succeed in the future.

I think America is in a going crazy on this particular issue, making it harder for international students to come in. For many years, America's secret sauce has been the fact that it attracts people from abroad, not just for its universities, but for this bigger idea of the American Dream, that no matter who you are, no matter where you've come from, you can move to the United States and you can make it. I mean, I moved there at the age of 18. I had never been to America before.

And I was seduced by the idea of the American Dream. It would be heartbreaking were that dream to be broken, not just for America, but for the world because it was an example for the world for what could be. It was soft power at its core.

And other countries aspire to a form of that soft power. We all know this. I mean, Joseph Nye's book, *Soft Power*, was a bestseller here in China. Everyone wants to figure out how to be popular, how to appeal. This is true of people as much as it is of countries. So, the flow of students is a great way to think about the future of countries and their potential success.

Henry Huiyao Wang: China and India make up half of the international students in America, which is about 1 million. The US already have over 500,000 or 600,000 students from these countries, which support thousands of jobs and university budgets. This is really relevant.

But one thing China has probably learned from the US is that you have a system where, if students study, they can intern, find temporary jobs, and then continue to establish themselves. In contrast, in China, after studying it's difficult for them to find a position. So, I think we probably need to improve that.

Q&A Session

Fujing Zhou, Reporter, China Central Television (CCTV): Today, we've focused a lot on the global crisis, on the global system. But my question will move us to maybe 80 years ago to World War II and China's contributions.

As we all know, China spent 14 years fighting Japanese aggression and paid a great and heavy price. So, my question is, do you think China's contributions at the Eastern theater during World War II have been fairly recognized? Why is it important to correctly recognize China's contribution to World War II?

Ravi Agrawal: Look, I'm going to speak with a degree of humility here. I am not an expert on the exact role that China played. What I will say is this—history is written by the victors of any particular moment. It is not just China. There are many countries that played an immense, outsized role in World War II, in ending World War II. So you mention China, yes. Russia lost more people than most Western countries put together. It is not something that is acknowledged in Hollywood or popular culture. Think of the colonies at the time. The British colonies sent millions of soldiers and troops that were fighting in different arenas, in different parts of World War II, again, that are largely unacknowledged. Speak to many people from Nepal, from India, from other parts of the former colonies who will say that they lost family members in World War II that were never quite acknowledged in popular discourse around the history.

And that is something that should be corrected. It is something that ultimately requires funding. You know, if you think about the biggest sources of mass media, Hollywood, which has done many versions of the history of World War II, tends to focus on particular stories, particular domains, particular aspects

of World War II that they think will appeal to their audiences. This makes perfect sense. The answer to that is China should make movies that focus on its contributions to World War II and it should popularise those movies not only to Chinese audiences, but to global audiences. If you make these movies at a higher quality with better graphics and in a way that a global audience can truly appreciate and understand, then it will have the same effect that Hollywood movies have.

And it's not just China; every country should be doing that. History gets told by the people who tell it best. Now, notice how I'm not doing a right-or-wrong here. I don't speak for America. I don't speak for any country. I'm a journalist. I don't have a side that I fight for. The point I'm making is that every contributor, every country, every culture needs to speak for itself. And sometimes, who gets to speak is determined by who has the resources, who has the ability, and who has the marketing involved. It so happens that we've lived through an era where America and Hollywood and Western storytellers have had an outsized role in telling the history of the world. It's beginning to change, by the way.

Zichen Wang: I was wondering if you would like to share with us your personal growth experience. You went to Harvard. After that, you became a journalist at CNN. You were obviously very successful. And you began to lead *Foreign Policy*, an influential publication at a relatively young age. And my understanding is, you've turned around the magazine from running a loss to actually making it profitable and gaining higher visibility.

So, as an immigrant to the United States, in your course of travel from a journalist to a leader of a media outlet and public intellectual, do you have anything to share with us?

Ravi Agrawal: As a journalist, I prefer to talk about things that are other than myself. But look, I will say that, you know, I think what has shaped me personally the most is a sense of curiosity. It is a big, big world out there. And I think what animates me the most, what gets me interested the most, is connecting the dots between different cultures, between different countries, different languages, different histories.

Some of that is obviously a product of my own upbringing. I was born in London. I grew up in India. I ended up moving to America at a fairly young age, at the age of 18. So, in many ways, my life has been shaped on three continents, and I'm necessarily someone who doesn't quite fit in naturally in any one place. I'm an insider/outsider everywhere I go, whether it's India, whether it's the UK, whether it's America.

And so in being that sort of an insider/outsider, I necessarily have a sort of a take or a stance that is looking for cross connections and comparisons, that takes any situation that happens in one part of the world and tries to sort of zoom out in order to make sense of it globally, and then compare it to other things, whether it's in history or geographically. That's how I make sense of the world personally. It's also a good way for a magazine like mine to try and make sense of the world

at a time when we are incredibly polarized, not just intra-country but inter-country as well. And at a time also where the idea and the definition of truth is very much in dispute.

This isn't a topic that's come up yet, but I'll go there. One of the biggest challenges I think the world faces now is how to define truth, how to agree on a common set of facts, how to believe reality. I really think that at some point, countries, societies and communities around the world are going to have to figure out how to invest in sources and media that they trust—not governments, not companies, but media organisations that they genuinely trust to report the truth no matter how difficult that might be. I believe that can only come if you are a stakeholder.

I think the media organisations that tend to survive and thrive in this moment are ones that have subscriptions, fairly expensive subscriptions, which means that people pay money for the work that you do and they feel like stakeholders. This is a form of direct journalism, where you know who your audience is and you're communicating with them directly. The audience isn't a commodity that is meant to be sold to advertisers. Instead, the audience is a valued stakeholder.

I think that relationship is one that we need to see more of in media organisations and countries and communities around the world so we can agree on truth and basic facts, which comes back then, Henry, to everything else we've been discussing today—the crisis in our global system, the crisis with climate change, the crisis with conflict, all of these things. We only begin to solve these problems if we agree on the facts, and that, right now, is very hard to do. And I wish that countries, communities, companies invested more in figuring out relationships between people and publications. It's a very important problem.

Shen Shiwei, Reporter, CGTN: My question goes to your keynote speech about broken-down global systems, especially the UN and other multilateral platforms that are not working that well.

Can we say that the Trump administration is actually pushing for the breakdown of the old traditional system because they would like to set up a completely new system that could place the US at the center and better serve its interests? We've seen in this recent statement about their withdrawal from UNESCO in which they said this platform doesn't meet "America First." Trump's trade policy also prefers a more bilateral method, not a multilateral one like the WTO. They don't have any interest in reforming the system, but are pushing for the breakdown of the system and ask all other partners to set up a completely new system. Do you agree with this?

Ravi Agrawal: Largely. Look, I'm well on the record on this. I think Trump is a wrecking ball to the system. For some people, that's a good thing because the system wasn't working and that was not a good thing. The system had its flaws, needed reform, but didn't need to be destroyed. I think that's sort of a competing set of instincts that will play out over the next few years, and we'll see which of them holds true over time.

Now, much as though I think Trump is a wrecking ball, I don't think Trump alone has wrecked the system. I think the system was under strain for many, many years before Trump. I think there were all sorts of things that were going on that led to allegations of double standards and hypocrisy, which had been going on for quite a while.

There are many examples of that, whether it was conflict, currency manipulation, or trade. You can point fingers in many directions, all of which were straining the global system of rules and norms and creating a sense of impunity. I think Trump has accelerated that straining of the system and that is why we're talking about those strains much more today than we were five years ago or 10 years ago or 20 years ago.

Also, America remains a superpower, but it is challenged more than it ever has been by China and of course other countries—the rise of the rest, as people like Fareed Zakaria have written about. There are just more participants and players and voices in the global system that are clamoring for attention and a say in how the world order gets run and executed. That's a good debate to have.

Coming back to where we started, the question is, did we need to blow up the system or did we need to figure out a way to reform it, to tweak it, to make it more equitable? Obviously, from this discussion, I'm in the reform camp, not the revolution camp. But again, I think this is very much a live debate, especially in the United States. And ultimately, it will take people power to push leaders into one camp or the other and resolve that.

Henry Huiyao Wang: I just have one final small question. We've seen that in the last few years, since Covid, China-US journalist exchanges haven't really returned to pre-pandemic levels. And we really hope to improve that. Hopefully, journalism exchanges and more frequent visits can be facilitated by both sides. As you've said, we need more journalists coming to China. China has actually now released free visas for 20 to 40, even 50, countries. We hope that, particularly between the US and China, we could relax that further so we can have more people like you coming and having more dialogues, exchanges, and better understanding.

Ravi Agrawal: I very much hope so. I think journalism is really important. Criticism is really important. I think people, communities, leaders need to be open to criticism through reporting and journalism and need to make it safer for journalists wherever they are. I say this about every country, everywhere in the world. It is really important to let journalists do their jobs, which means giving them visas to let them tell the stories they have to tell. I think the people, wherever they are, anywhere in the world, can take it.

Henry Huiyao Wang: I really appreciate your coming to CCG and giving us a very vivid, lively, firsthand, and frank discussion.

Ravi Agrawal: Henry, thanks for having me. Thank you to all of you.

Building a Floor for China-US Relations: Scenarios and Recommendations

A Dialogue with Susan A. Thornton and Douglas H. Paal

Henry Huiyao Wang, Susan A. Thornton, and Douglas H. Paal

In an age of great power rivalry between the United States and China, finding a floor for stable relations is of paramount importance. The constant changes in this complex relationship make it even harder to find common ground that both sides can agree upon. However, this is an essential part of ensuring productive, lasting US-China relations and a stable global environment.

This dialogue between CCG President Dr. Huiyao Wang and Susan A. Thornton, and Douglas H. Paal covered topics of ranging from challenges to US-China relations and broaching sensitive issues to creating a floor for bilateral relations. This dialogue taps into Ms. Thornton and Mr. Paal's extensive knowledge and experience in China, focusing in particular on Taiwan as they both participated in the decision-making process regarding previous administrations' China policy and Taiwan policy.



Henry Huiyao Wang in Dialogue with Susan A. Thornton and Douglas H. Paal

Ms. Susan A. Thornton is a senior fellow and research scholar at Yale University Law School Paul Tsai China Center. She is also the Director of the Forum on Asia-Pacific Security at the National Committee on American Foreign Policy and a nonresident senior fellow at the Brookings Institution. She's a retired senior US diplomat with almost three decades of rich experience. She was Acting Assistant Secretary for East Asian and Pacific Affairs at the Department of State where she led East Asia policymaking and served in leadership positions at US embassies in Central Asia, Russia, the Caucasus, and China. Susan also was the Consulate-General of the US Consulate in Chengdu.

Dr. Douglas H. Paal is Vice President for Studies at the Carnegie Endowment for International Peace. Previously he served as Vice Chairman of JPMorgan Chase International and was an unofficial US representative to Taiwan as the director of the American Institute in Taiwan. He was on the National Security Council staff of President Reagan and George H.W. Bush between 1986 and 1993 as the director of Asian Affairs and then as senior director and special assistant to the president. Doug has held positions in the policy planning staff at the State Department, as a senior analyst for the CIA, and at US embassies in Singapore and Beijing.

Changes in the Current Atmosphere

Henry Huiyao Wang: Recently a lot of things have been happening. President Biden just gave the State of the Union address about a day ago and there was the balloon incident between China and the US. I noticed President Biden's State of the Union speech was largely about domestic issues, but he mentioned China, noting that he wants to compete, not confront. He also said he wants to cooperate with China in areas that are beneficial to the US and the world. Susan, can you talk a bit about the recent atmosphere?

Susan A. Thornton: I think this is a pivotal time in US-China relations and there has been an awful lot going on recently. I'll just start and reflect a little bit on the most recent event, which was President Biden's State of the Union address last night. He had a clear focus on two things. First was shoring up America's strength internally, especially the economy, jobs, US manufacturing, and outlining different domestic policies to make sure that America was stronger and that people saw opportunities. He talked about us being a land of possibilities and he used the speech to highlight the achievements that he's made in the last two years in passing legislation to try to move the ball forward in terms of restoring US domestic economic resilience and dynamism.

He also talked about shoring up relations with America's allies a little bit, but didn't really talk much about international issues. Usually, these speeches don't focus on foreign policy, but there was discussion of Russia's war in Ukraine and a reference to continuing competition with China. We have seen some efforts, despite the balloon incident, which unfortunately derailed the most recent efforts.

But he did hint at our efforts to restart diplomacy with China. As you said, he mentioned that we don't want conflict. I think it's difficult to restart diplomacy now with recent events and internal political dynamics, which I know we'll talk about. But I think it was a clear indication that President Biden is looking to sort of temper down the rhetoric and the negative attention in the US-China relationship right now.

Henry Huiyao Wang: We expect Secretary Blinken to visit, but he's postponed his visit and wants to come back as soon as possible when the condition is right, so things are still open. Doug, what's your analysis of the current situation?

Douglas H. Paal: When we first discussed holding this session, it was going to be assessing the outcome of Blinken's visit to Beijing, what the path ahead might be. I think we still have a path ahead, although we haven't had the visit since it's going to take some time and maybe some healing before the visit gets back on the schedule. We can also start to proceed toward a meeting between the two Presidents in the United States, which we anticipate in November in San Francisco, when the United States serves as host of the Asia Pacific Economic Cooperation (APEC) Forum leaders' meeting. That's all to be set in the future, but the long-term trend in the US-China relationship was to work toward making that a reasonably fruitful period emphasizing communication and avoiding conflict while continuing to compete with each other.

The thing that I take away from this weekend's episode, which has temporarily put off Blinken's visit to Beijing, is that both sides were careful in the aftermath and as the events unfolded, to not choose language that puts the competition starkly or to issue ultimatums, rather to stay in touch with each other so that we did not see what isn't quite emotionally received by the American public and media as something as a precursor to sharpened conflict between the two sides. I think both sides succeeded in preventing emotion from making the kind of statements that would be regretted later, but we've still got a lot to patch together. And I think the weekend events with the balloon and the postponement of the trip by Blinken also allows us to look at what the agenda going forward might be and how we build a more constructive way of dealing one with one another as we go forward.

I'll just add to what Susan had to say about Biden's State of the Union address on the subject of United States rebuilding itself at home. I think that the goal of the American foreign policy establishment under Biden has been to use the past two years to emphasize a point that was a matter of dispute when China's foreign policy leaders when Blinken and Jake Sullivan, the national security advisor, met in Anchorage year and a half ago when the fight rhetorically between those was who has a right to speak from a position of strength. The Biden administration can make a strong claim since they've done a lot to strengthen America's international position in the time since then. They have an AUKUS agreement with Australia and the UK. They've deepened the relationship with Japan and the Japanese have stretched their wings a bit with their newest national security

documents issued in December and statements since then from Prime Minister Kishida and his government.

And we're seeing coalitions building that are intended to bring together coalition concerns to reinforce resistance to aggression in assertiveness in the Asia Pacific region. I think that constitutes the floor for the United States on which it wants to proceed in developing more constructive ways of communication with China.

Henry Huiyao Wang: I think that the response to the balloon incident was quite reserved as far as I can see from the Chinese side as well. We have China's Foreign Ministry spokesperson, who described it as regrettable and an accident. I know the US and China have satellites and many other means that enable us to watch over each other. This is something I think both countries are maintaining very serious dialogues and communications on. But I hope this can really get resolved soon because we have more important things in bilateral and multilateral relations to do. There's climate change, the Russia-Ukraine war, and a global recession and the question of how we can stabilize the growth of the global economy.

I was actually quite encouraged by President Biden's and President Xi's Summit in Bali last year, which has paved the way. In 2023, we have Blinken's visit, Yellen's visit and probably even more like a visit by the Secretary of Commerce or USTR and visits by senior Chinese officials to the US. There's going to be the G20 in India in September and APEC in November in San Francisco, so there are a lot of opportunities for us to upgrade a bit and stabilize the current situation, particularly in terms of US-China relations.

What are your expectations and how we can maintain this dialogue and momentum that President Xi and President Biden set in Bali. Blinken also said he wants to visit China as soon as possible when the time is right. Susan, you can give us an assessment from your side?

Susan A. Thornton: I'm a former diplomat, so I do believe in having discussions and trying to negotiate and get progress on topics. Regarding the balloon incident, I agree that it was handled with quite a bit of care and thoughtfulness, on the US side and on the Chinese side. I was quite taken by the Chinese statement that it was an accident and force majeure, that there was regret that it went into US airspace and a full admission that it was China's balloon and that they regretted that it had happened. What I hope is that we could use this incident as a way to try to make communications more sustainable and more stable and more effective between our two sides.

One of the reasons that Anthony Blinken wanted to make his visit to Beijing following up the meeting between the two Presidents in Bali was in order to talk exactly about this problem that we have. Our communication channels have become so truncated that it is very hard. We have such a complicated relationship with all kinds of issues and yet we only have at this point really the channel between the two Presidents, which obviously can't be used every day or even

every month. We've really got to get some channels established. One of the things that I think the US side feels is particularly urgent, is to establish a channel that we can use to clarify what's happening in exactly the kind of situation that we faced over the weekend. I understand that there were efforts to get more information and get clarification, but time is ticking and this has been a long-standing problem. In US-China relations, it's important to try to get information quickly so that people don't have to make assumptions, because when a people make assumptions, they often assume the worst. That's not what we want. We want to be operating based on facts and reality to the extent we can get the information from the other side.

I hope that as we go through this year, building up to the APEC summit, that we can start to establish some of these relationships. We need interpersonal relationships so that we know each other and have channels for communication. I also hope that we can start using the embassies and the consulates better. During my time at the State Department, I served in a couple of different posts in China. These are really important connections to have and we haven't really made full use of them in the recent period. I also would like to say that in addition to the high-level meetings I hope will have, you mentioned Janet Yellen and some of the other economic meetings we hope will happen like those with Gina Raimondo and maybe Katherine Tai. But we've also got to get people-to-people ties going again, and that means flights and visas. On the bilateral front, you mentioned a whole bunch of other issues and global challenges like climate change, which I also want us to work on, but right now, I think getting these communication links, travel links and exchange links re-affirmed and going again is, for me, a top priority.

Communication and Dialogue Key to Improving Relations

Henry Huiyao Wang: I think communication, dialogue, and people-to-people exchange are all very crucial. The good thing is that China is getting away from Covid lockdown measures and now tourism is coming back. We hope to have more flights soon and we know that some US airlines are going to restore direct flights from the US. We hope that can reach pre-pandemic levels. I was at Tsinghua University yesterday where they were talking about how to make Beijing an international center of exchange since it has two international airports and the capacity to handle 200 million people. We hope to have more visits, including student exchanges and tourism.

You also make a good point about embassies and consulates in China and the US. We should reopen the consulates that were closed in Houston and Chengdu and welcome more journalists from both countries. Following the momentum from the visit between President Xi and President Biden in Bali, I think a working team be set up as soon as possible. But this also goes for the whole society now that the pandemic is largely over. After three years of isolation we should resume discussion, and we really look forward to that.

I just mentioned some economic alliances that President Biden pursued, but China also wants to join the CPTPP and DEPA and I hope that China might be even interested in the IPEF. I'd like to see more economic dialogues rather than security alliances like Quad or AUKUS. What do you think about China's new administration and its new congress?

Maybe this is a good time for communication. I hope this balloon incident is very temporary and we can move forward with cool heads. I really agree with Susan that we should not assume the worst and really try to think of getting more informative exchanges, more dialogues and more visits.

Douglas H. Paal: I endorse everything that Susan said about needing to improve dialogue and institutional cooperation. I will have to say that the aftermath of the shooting down of the balloon is not over. The event itself has come to a finite end, but the aftershocks will continue as revelations take place, as the equipment is found, and analyzed. Official announcements or leaks from official findings will make their way into the media. I think it's going to create a sense of urgency that we haven't yet brought to our discussion this evening. You have to light a backfire against this coming series of revelations early on. The failure of our militaries to communicate during the weekend while this balloon was still in the air is going to sit very awkwardly with the United States public and with Congress and with the administration.

It would be smart for both sides, especially for the Chinese side, to start being more responsive before events start to accumulate and accounts come forward about this or that intention. Trying to get this back into channels can be managed between the two sides. Both sides have a stake and outcomes that are constructive rather than endlessly negative. I would introduce urgency into this and not wait another few months hoping that we can patch it all up in August or September before the leaders meet. This is something that needs to be addressed much sooner.

The background of all of this is also the growing Chinese strategic capability. China has long avoided dialogue on strategic arms issues, saying that China was disadvantaged by small numbers against superpower levels of capability in strategic arms. But China has now in the process of greatly enhancing its strategic arms capabilities, which is why it needs to begin the process of direct military and military communication and conversations about strategic arms, whether it's protocols, concepts, or launch on warning. Hopefully over time, this will lead to some understandings what we need more of or less of that marked the era of START talks in the competition between the USSR in the United States. While that's behind us, China represents the new rival on the global scene, and we have to find a place at the table for China to discuss these issues as well.

Creating a Better Floor for China-US Relations

Henry Huiyao Wang: We really have to have more intensive communication. A

lot of incidents have been really blown out of proportion, whether it's a satellite or a balloon. Let's communicate and not let things get out of control.

I think China was quite reserved this time and I hope that this can be discussed as we have a mechanism to sort it out. That way we can get to bigger issues that impact bilateral and global relations. I really appreciate your comments.

We have another election year coming up in 2024, but given the new US congress and a new State Council of China in 2023, as well as a new Party Political Bureau, what can we really do on both sides to fulfill the hope of our dialogue's theme "Building a Floor for China-US relations: scenarios and recommendations"? We'd like to hear from both of you as senior diplomats with years of experience of Sino-US relations. How can we create a better floor? We can't just let this relationship free fall. As the two largest economies in the world, we have a moral responsibility not only to ourselves, to the world.

Susan A. Thornton: I think the thing that we have always tried to do in US-China relations since normalization is have areas that we have something that we're working on or some areas of cooperation, because there have always been areas of difference and tension where basically we figured were really not going to agree anytime soon. We know that we have to manage those, but then we also have areas where we have a lot going on in the relationship and have to talk to each other about solving concrete, specific problems.

In the case of WTO accession and other agreements around trade and investment negotiation was going on for about 10 years. We have had areas like that where we were constantly talking about managing problems, but when it's about things we're doing together, there are areas where we're actually trying to work together to cooperate and to make progress. Now, I think that has sort of fallen out of favor over the last five years. In the US government, there was a lot of impatience that some of the negotiations weren't bearing enough fruit and that we were being taken advantage of. But I think this is still the way forward, even in this very difficult environment, where there's all this mutual suspicion and the two sides now see each other as a threat, which I think is over-exaggerated on both parts, but that is kind of where we're at.

I think we're going to need to come up with some way of balancing all the negative aspects in the relationship now with something positive. People have mentioned various areas where the US and China could cooperate and I think I subscribe to all of them, but what worries me and the area where I hope we will start to focus some energy is the international system. All these international institutions that we've built over the last 70 years and from which both the US and China have benefited immensely, are now under fire, from the WHO, which didn't perform well during the pandemic, to the World Trade Organization, which is not seen as capable of leveling the playing field in the global economy. We've got problems owing in part to Russia's war in Ukraine in areas of food security for developing countries and energy security for many countries. There are also problems in the global economy. The obvious areas for the US and China to cooperate, as the two largest economies in the world, is macro-economic

development, Sustainable Development Goals in the UN, macro financial stability, and other areas where the international financial institutions have their mandates.

I think there is plenty of work to be done, and some of this work can only be done with the US and China involved. This may happen together with others, but certainly at least the two of them need to be involved and pulling in the same direction. Whether we call that cooperation or not, I don't know, but this is what is going to need to happen. These institutions that have been set up over the last 70 years and if we don't attend to them, they're not going to be there and we will miss them when they're gone. It's very easy to destroy things, but it's not so easy to build up these kinds of institutions and habits of sort of working together in the international system.

I think we really don't want to see Ian Bremmer's so-called G-Zero world that talks about a more chaotic antarctic system. The global system is not perfect obviously, but it works, and we should work improving it. I think it has really served a lot of purposes and we're going to need it again for the next pandemic. We also need it to work on climate change in an orderly way in among the community of nations involved, including China and the US. I also worry that this sort of superpower competition between the US and China is really going to cause us to be distracted from what I view as sort of much more foundational work in the global system.

Henry Huiyao Wang: I absolutely agree that China-US relations is a huge part of the global system. China has benefited enormously from the Bretton Woods system that the US has led for the last 75 years and organizations like the WTO and the World Bank are critical even though the AIIB is playing a more active role. We've faced the pandemic, but how we can prevent the next catastrophe? There are also infrastructure needs that are recognized by all countries. China is probably the best at infrastructure right now, but the US is also investing a lot with the B3W, which I feel can work together with the BRI and the EU's Global Gateway.

This year we're trying to hold a third Belt and Road Summit. US representatives came to the first summit and US embassy people attended the second one as well. This time China will still welcome the US to attend. Let's talk about how we can work on infrastructure and maybe how the AIIB can work with the World Bank, ADB and AfDB to tackle some joint projects. I agree with you that the multilateral system has led us well so far and prevented a Third World War. Also, we can't have a G-ZERO. We need a G2 or G3 at least. We urgently need both the US and China to work together.

Doug, what's your assessment of Sino-US relation in terms of international cooperation?

Douglas H. Paal: We've come a long way from the dark days of the Trump administration where we were walking away from international cooperation at every opportunity. And this should be seen as much by China as by the United

States as a chance to put on a more constructive agenda. The breakdown of the WTO is a great source of distress for me. One of the problems of the WTO is that it uses consensual rule making. Efforts to modernize the WTO failed in the Doha round, because of a few outlying states. That doesn't mean it's not susceptible to leadership and if the leaders of leading trading states like the EU, Japan, China and the US can come together with some proposals for getting the WTO perform better, the rest of the world would be brought in and would get on the same trading principles and rules that the major trading partners have agreed to. I think if China would invite or encourage cooperation among those four major parties to take a new look at the trade agenda, I think there would be a lot of support for it. There may be more support outside the US initially, because the US has grown sour on the WTO and the WHO, but as we've already mentioned, there's a great scope for reinvigorating international cooperation.

I wish that in the current atmosphere, following the terrible events of the earthquakes in Turkey, we could find a way to cooperate bilaterally or multilaterally. I know China has already promised a lot of assistance and it's a difficult challenge to provide assistance in those circumstances, but this would be a place where you could get the spirit expressed, if not in immediate material results, then to show that there's a common desire to rescue people who are suffering in northern Syria and southern Turkey. Beyond that, we've got one global issue after another. Recurrent epidemics in Africa are not going to go away. We had an operation on the second Ebola breakout between the US and China, but there ought to be institutions put in place to make that a more regular occurrence as these threats to human health emerge around the world and especially in Africa. Other terrain is a bit more neutral since neither our future nor China's future is at stake. We could do something to demonstrate common purpose and common capability.

Henry Huiyao Wang: We should at least show a spirit of sympathy and support for disasters like the earthquake in Turkey and Syria. All of us, but especially the US, China, EU countries and Japan should work together. I believe that China is still supportive of the global trading system and the multilateral system, as China has applied to join CPTPP, which was initially designed by the US, which we hope will come back. China is also applying to join the DEPA that was initiated by New Zealand and Singapore. I even think about the IPEF, because if it's economics-related, why is China, as one of the largest economies in this part of the world, excluded from it? There are many platforms where we could resume these dialogues or start a new dialogue on infrastructure or other issues. Absolutely, there are many things I think the US and China should focus on, like the climate change and the global economy. There's a lot of work that both countries can do.

China and the US have been having a really difficult time, but I don't think we'll get into another Cold War. I was talking to Ray Dalio just a few weeks ago and he was saying that there's a trade war, a tech war, a culture war—a total of five wars that may be going on. I think we need to be concerned about that.

We're not in the Soviet era. We are so much more intertwined. Before the pandemic there were five million people travelling between US and China. Currently, we have 300,000 Chinese students studying in the US. We need more US students come to China, but the thing is that we have to strengthen our focus more broadly on the global issues. The US and China have benefited enormously from our trade relations. I just read new data issued by US government that last year that showed record trade figures between the US and China, which reached \$690 billion, a historical high. Despite all of those agonizing issues, trade is still going on. According to a two-year long study, there were around 70,000 US companies in China that generated about \$700 billion in revenue in China. That's enormous. China also benefited enormously. We should try to avoid what Graham Allison calls the Thucydides Trap. Professor Joseph Nye talks about an adjustment period, which may take time, but maybe after 10, 15, 20 or 35 years, we'll begin to accept each other. We may have different structure structures and different systems, but let's co-exist peacefully.

One of the most daunting challenges is the issue of Taiwan. I know that Douglas has served as a non-official representative at the American Institute in Taiwan for many years. We've seen some recent changes on Taiwan, particularly since Nancy Pelosi's visit, but now we're seeing some changes with the KMT sweeping the midterm election. Yesterday, the vice chairman of the KMT, Andrew Hsia, visited Beijing. We'd like to see cross-straits relations improve. Before the DPP when the KMT was in office, there were many mainland flights to Taiwan. There were students exchanges in Taiwan and there are still two million Taiwanese working in China. I hope that this kind of integration and economic activity could eventually result in peaceful reunification rather than tensions escalating. The issue seems to be between US, China and Taiwan.

The Need for Mutual Understanding on Sensitive Issues

Douglas H. Paal: I think it's always important to think of Taipei, Washington, and Beijing as kind of a triangle. When one moves, it affects the others. They're kind of rigidly bonded together. And a lot of the motion from the Taiwan-US-China triangle has come from the US in the latter years of the Trump administration and in the early years of the Biden administration. The background music has been mostly unpleasant or threatening coming from China.

They're looking for something else as a formula for long-term management across straight relations. We're now in an election year in Taiwan. As you noted, the KMT did well in the local elections, which is where they traditionally do fairly well. How well they'll do in island-wide elections is very unclear. Who the candidate will be is very unclear. You mentioned Andrew Hsia, a former Mainland Affairs Commission Chairman from the Ma Ying-jeou period, who is now visiting the mainland. I think that's a good thing. I'm glad China is giving him a positive welcome. But you have to be careful. They don't want this to be a partisan welcome and I think this would be a great time for China to begin to

relax some of the restrictions that it put in place on cross-strait relations after the election of Tsai Ing-wen back in 2016. It's time to move to a more constructive relationship.

I can see where messages could be exchanged as they previously had been done between bodies on the mainland and Taiwan side without respect to which party is involved to deal with practical, pragmatic concerns. Transportation goes on, but there's a reason for officials or semi-official bodies to communicate with each other about facilitating that kind of travel back and forth to resolve problems that arise. There are lots of human relations problems as well. As you mentioned, there are a lot of people inter-married across the Strait and there's a role for the respective authorities to communicate about the well beings of these people. We should make sure what human needs they face can be addressed with the other side.

If I were to advise the mainland authorities about Taiwan, it would be to show a little bit of relaxation and tolerance to what's taking place; try not to make yourself the centerpiece of every political debate that takes place on the island in an election year. Let them discuss among themselves what they want to do and not always contrast with how you can be more and more anti-mainland. The mainland has a big role to play in sending the message that they don't want to be the big issue in your election and would prefer Taiwan work things out and that the mainland will deal with whomever wins that in the long-term, peaceful unification it is in your interest and not force the issue before the people are ready for it.

Henry Huiyao Wang: Both sides of the Strait are free from pandemic related restrictions and I hope those the three major links can be restored as as soon as possible. I'd also like to see tourism starting again across the Straits, which would be a good sign. Andrew Hsia's visit to Beijing is very important. We've seen the deterioration of China-US relations in the course of this with many channels of communication closing because of Nancy Pelosi's visit last year, but now we have a new Speaker of the House, Republican Kevin McCarthy.

Susan, you've been working in government for a long time. What if Kevin McCarthy can't come to China? Newt Gingrich came before and I remember when he came, he not only visited Taiwan, he also visited the mainland and many other countries. Vice President Gore also came to China. How can we avoid another crisis and smooth out cross-strait relations as well as China-US relations? We've finally gained some new momentum by visiting each other, thanks to President Biden and President Xi, but it could be jeopardized. So, what's your analysis of the situation in terms of the Speaker's visit?

Susan A. Thornton: It's very important for people to understand that this is difficult since the legislature and the executive branch in the US really are co-equal and separate branches. If the executive branch tries to stop Congress from doing something, Congress almost on purpose works twice as hard, because they feel like they don't have to answer to the executive branch. Our system

stresses checks and balances. It's one of the things that make decision making in the US system take longer, but it is a check on kind of the power of the different branches in government. It is very real that the executive branch can't stop the Congress from doing some of these things. I do think it's important for the Congress to know more and more deeply about the US-China relationship and about the policy toward Taiwan. I remember when I worked in Chengdu and in Beijing, I always took congressional delegations around China, including a big Senate delegation to Dunhuang and then to Kashgar and to Urumqi. But I think it has really fallen off in the recent period and that should be remedied going forward if possible.

Right now, there's also a very difficult domestic partisan political situation in the US with an opposition member of Congress, Kevin McCarthy, wishing to take a trip to Taiwan. It'll be very hard in this current environment to keep that from happening. If he really wants to go, which it seems he does, he probably will. My personal thinking on this is that it wouldn't be good for the mainland to overreact to a Kevin McCarthy visit in a year that is an election year on the island. What could be a better strategy is to try to make some positive gesture to Taiwan or in US-China relations. The mainland does have a lot of agency here, but there's a tendency to sort of just react to things the US does. With this visit coming down the pike, what I think should happen is that we should make an effort to have a big positive story to counteract whatever the perceived negative impact would be of McCarthy's visit in Beijing.

I think that there is a possibility for the mainland to have this agency and take action and try to do something to keep this from becoming a crisis. I don't think either the US or China wants to see a crisis right now or a conflict in our relationship. We're both working hard on domestic challenges. I know President Xi made a speech recently at the Central Party School about China's modernization, while Biden's State of the Union address was kind of about American modernization. These are the things we want to be working on. We don't want to have a crisis in US-China relations that takes us away from all of that. I hope that we can get beyond Kevin McCarthy's visit if it happens.

Henry Huiyao Wang: I think we need to both work on our domestic issues. I was recently talking to Richard Haass and Ray Dalio. Both emphasized that we have to put our own houses in order since we're facing a lot of domestic challenges. Regarding Kevin McCarthy's visit, since he's a Republican, the executive branch and administration could say they don't recommend it. What happened last time with Nancy Pelosi's visit? We didn't the Biden administration say anything because they were from the same party. Now that they're from different parties, if the administration could say something, it would be encouraging. I've noticed that the White House spokesperson says they have no news, but don't really recommend it.

I agree with you, we should have more US members of Congress, Senators, even McCarthy himself, visit the mainland to really see the real China and how we've developed, how we are connected and how clean Beijing's skies are.

They still cling to stereotypes and old images, but we should start visits to China for representatives and senators so they can really understand what's going on. But let's not just focus on Taiwan. It's a core issue and one that really touches the nerves of the Chinese people. I hope that we can handle this with care and consideration and that it won't jeopardize our relationship.

I hope that Blinken and McCarthy can both come and start a chain of good exchanges between our two countries followed by Yellen, the Secretary of Commerce and USTR Katherine Tai, with Chinese senior officials also visiting the US. We haven't had a senior official visit since the start of the new administration and the last visit was by Secretary of State Mike Pompeo in 2018, which was already four or five years ago. We need more of these kinds of high-level visits. The US is really focusing too much on Taiwan to gain political points and needs to look at the larger picture. I know the system in the US and there's an election year is coming so they want to score political points, but let's also keep the world, the global system, bilateral relations, and long-term peace and prosperity in place to avoid potential conflict as much as possible.

Douglas H. Paal: I would not count on the Biden administration to take a partisan position against Kevin McCarthy doing one thing or another; that's not how we do things. It wouldn't be beneficial to China's interests, either, in my view. The Biden administration did find ways to signal the limits on Pelosi's visit and I have to say they have been more disciplined in adhering to the longstanding agreements between the mainland and the United States over how to handle Taiwan affairs since the Pelosi visit.

My second suggestion would be, instead of sending your senior representative in Washington into McCarthy's office and warning him of the dire consequences of traveling to Taiwan, instead clarify that we have differences. You're going to do what you want to do, but we welcome you to Beijing as well, extending a formal invitation to come and meet with our National People's Congress leadership and our national leadership, where we can talk about all these issues directly rather than through the media. Take a different approach, a more constructive approach, and borrow from the example you cited in Gingrich going to the mainland and to Taiwan, which is a good example. I would also look back to the days of our early normalization, when Zhou Enlai used invitations to get people to come to China and shape their views and show what China was trying to do directly rather than trying to do it through the airwaves. I think this is a constructive suggestion.

Henry Huiyao Wang: Absolutely. I really think that with the KMT vice chairman visiting China and the resumption of the major links between Taiwan and the mainland nowadays, we can generate a more cooperative atmosphere across the Straits. China has also said that they welcome anybody from the opposition or the KMT if they support the 1992 Consensus. The mainland government has said, in the future, under reunification, Taiwan wouldn't have to pay any tax to Beijing and there would be a lot of preferential agreements with

many upgrades to the “one country, two systems”. We hope to see that. But even now there are a lot of things we can work together on in terms of US and China relations in terms of the economy, global climate change and of course business. So, we sincerely hope we can resume all those activities in 2023.

Considering the Russia-Ukraine conflict, European development and other international changes, and we have seen German Chancellor Scholz visit China already and Macron is coming to China in April. Many diplomatic officials are visiting China after the Chinese New Year. We also have more corporate and government officials coming in next month, so we’ll probably see a lot of things happening. Susan, what do you expect in terms of current global and economic issues and China-US cooperation in the years ahead?

Susan A. Thornton: The last five years have been a pretty difficult road in US China relations, but let’s not forget that most of those years coincided with Covid-19, which meant absolutely no face-to-face communications, which caused all kinds of problems. Then we also had the Russian invasion of Ukraine and all of the resulting and subsequent strained relations in the UN and in other multilateral organizations. We had a couple of big, exogenous events that have really impinged on our ability to work together on some of these constructive areas. I think it’s very frustrating for people in both countries who are looking for some kind of indicators of hopefulness for the future in working on some of these global problems and getting some progress. I really do subscribe still to the co-evolution notion that in order to have the kind of world we want, we have to remain linked and not decouple.

I think everybody pretty much now agrees that decoupling is not really in the cards. If anything shows it, it’s this \$700 billion record in trade between the US and China last year, which was announced by the US Department of Commerce yesterday. We’re going to remain linked, and in order to work on these problems, we each need to make adjustments in order to be able to work together better. I would say we need to have more transparency in this relationship, because that’s going to help us to stop constantly assuming the worst about the other. If we know more about how the Chinese system works, and how the decisionmaking process works, we can be more confident about how things are going to unfold in certain situations and that will make us less worried about potential threats or challenges. I think both sides need to be a lot more reassured about the other side’s intentions and the way to do that is to get better information and open up a little bit on the information.

Regarding the balloon incident, more openness and more transparency about how things are happening and addressing problems in providing information needs to be done. I think there’s still a lot of misunderstanding about the two systems on each side and we need to work on that. If we can, I think real adjustments can be made and we can work together better over time and try to solve some of these issues.

I’m very interested in the provision of global public goods. We’ve been talking a lot recently about debt relief and there’s an emerging markets debt crisis

that is unfolding before our eyes with China and all of the international financial institutions, private creditors, and members of the Paris Club involved in the debt workouts. We need new mechanisms and new processes to make these things work better for countries and for people in the world. I think this is the way we're going to have to move forward. We're not going to be able to just exclude each other and have two parallel systems. We need to be within one system, coexisting, co-evolving and cooperating. While we compete, it's not something we need to be so afraid of.

Key Elements to Improving China-US Relations

Henry Huiyao Wang: I agree with you that we shouldn't decouple. I have talked to so many opinion leaders in the US and Europe, and nobody favors decoupling. What we need now is more understanding, clarification, and communication. There are over 1,000 Chinese companies on the US Entity List and the recent CHIPS Act has restricted chip sales to China. There are a lot of things we need to talk because we have \$700 billion in annual trade going on between us. We are already completely intertwined. If China is doing well, since it contributes to over 1/3 of global GDP growth, it's beneficial to the US as well.

The US-led system has been working for the past seven decades. Let's enhance it, improve it and let China play a more active role in it. Douglas, what would you like to add to the topic of China-US relations?

Douglas H. Paal: I think that both of our countries have worked hard to lower expectations for the future and the world will breathe a great sigh of relief if we stop making things worse and stabilize where we're at. My goal would be to instruct each traveling minister or secretary of the cabinet to have one outcome of consequential nature. Small is better than nothing. Large would be great, but let's be realistic and have something accomplished. During Yellen's visit, for example, we talked about the Club of Rome, of which China has all but become a member, but it's only internal and international practices and is experienced more as a credit donation in these difficult investment environments around the world. It's also getting closer to the Club of Paris and finding a way to articulate that would be a concrete result of a visit by Janet Yellen.

Then as each subsequent visitor goes back and forth, have something that says they got the minimum done and it's not continuing to spiral into the ground. I think that would be my high expectation for a year of low expectations.

Henry Huiyao Wang: The important thing is that 2023 will really be a new year since we are pretty much done with the pandemic and the world is geared up for recovery. I was glad to see that US President Biden and Chinese President Xi had a great summit in Bali, saying that they would have a working team, which I hope would follow up with building a floor for China-US relations.

I still hope that Blinken can visit as soon as possible and even more US senior

officials in the areas of trade, investment and even the treasury can visit China, and vice versa, with Chinese Ministers and even a Vice Premier visiting the US. I'm also looking forward to the G20 Summit in India in September, which could probably see the US and Chinese Presidents meeting again, as well as APEC in November.

2023 is crucial to putting a floor under US-China relations and maybe even elevating it a bit, or at least stabilizing it. We cannot let it deteriorate further and should work together to encourage a multi-front approach on more important issues.

Susan A. Thornton: I know that there are all sorts of changes taking place internally in China in terms of the focus of the government on really jump-starting the economy again after the Covid opening, giving more play to consumption, giving more play to the private sector and entrepreneurs. I hope we could really get international businesspeople welcomed back to China and feeling like we're getting back to a less security focused and more economically focused economic relationship in both China and the US. I think there are things that China could do to reassure the us that it's moving in a direction that is not going to be overly emphasizing top-down state control and that kind of thing. It also seems to me that would dovetail with the Chinese government's current focus on the economy and what it needs to do. For the US, we should focus on our economy, get it going and make sure it's dynamic. This might also dovetail in terms of making sure that we're focused on growth and helping out other developing countries that may run into trouble this year.

The other thing I hope we can do this year is to head off further fighting in Ukraine. This is a huge issue for the international community. If it drags on, it will continue to damage other countries' economies as well as the economy around the world.

Henry Huiyao Wang: We all have to concentrate more on domestic issues. I know China has set up a Central Economic Work Meeting, emphasizing a lot of new platforms in the private sector to stimulate more economic development in China. The US, under President Biden, is also putting greater emphasis on domestic infrastructure and other areas. Let's concentrate more on domestic issues rather than making relations more tense.

Douglas H. Paal: My final word would be to fix small problems and make concrete achievements that can be accumulated, like building a building. You start from the foundation, and you lay one brick on top of another to try to get the relationship between the United States and China predictable, not zero-sum in every respect, so that people can then start to make decisions about their future relationship, whether it's business, investment, trade, or people-to-people exchanges. This way, they feel that there's a framework within which they can work and that what they do won't be just washed away by the next bad headline or turn of events. It's an important and a pivotal year in some respects, especially

when it comes to Taiwan. So I would concentrate my early efforts on trying to build small, but concrete achievements with Taiwan, first and foremost.

Henry Huiyao Wang: Your advice is also very much appreciated. We need to make achievements one at a time, even if they're small. Then we can have some good news, good projects and good feelings that that enable us to continue in that cooperative spirit, even though we are facing a more challenging environment. This has been a very informative and very stimulating dialogue.

Challenges and Changes—Moving Forward for the US and China in a Post-pandemic World

A Dialogue with Ray Dalio

Henry Huiyao Wang and Ray Dalio

As the world emerged from the Covid-19 pandemic, recovery and restoration of trade, tourism and other areas of exchange was the first order of business. This was most prominent in the context of the world's two biggest economies – China and the US. The next steps they made would affect the world considerably.

CCG President Dr. Henry Huiyao Wang and Ray Dalio, world-renowned investor and entrepreneur, discussed Mr. Dalio's latest book and covered topics ranging from how to keep our interwoven world from unravelling to the challenges facing US-China relations and ways to ensure they remain stable so that their respective economies as well as the global economy can push forward post-pandemic recovery as quickly and smoothly as possible.



Henry Huiyao Wang in dialogue with Ray Dalio

Ray Dalio is founder, CIO mentor and board member of Bridgewater Associates – the world’s largest hedge fund and a global leader in institution portfolio management. In 1975, Ray founded Bridgewater out of his two-bedroom apartment, and 40 years later, this company has grown into the fifth most important private company in the United States according to the Fortune magazine. After 47 years of running the firm, Ray has since successfully transitioned its management to the next generation of leaders but remained intimately involved in the investment side and as a mentor to the firm. Ray is also a major philanthropist. He is deeply involved and devoted to protecting the oceans and to close the education and opportunity gap in the United States. He’s now in the third phase of his life where he wants to pass along what he has learned to help others to be successful, which is why he has written his New York Times bestsellers as well as articles, including “The Mechanism of the War Economy”. His latest book *Principles for Dealing with the Change in World Orders*, which has been translated into Chinese, tells the story of him growing up in a middle-class family in Long Island and falling in love with the market when he was only twelve years old, Ray has truly lived the American dream.

During their conversation, they explored the key principles of the book, digging into the three big forces shaping the lifecycle and the five determining factors of a nation’s health, before providing an outlook for the world economy in 2023 and US-China relations in a post-pandemic future.

Early Forays into China

Henry Huiyao Wang: In our discussion of *Principles for Dealing with the Changing World Order*, we’ll discuss in detail Ray’s main principles, how he looks at the war and also other turbulence of our time, like the post-pandemic era in which we are living now, US-China relations, war relations and all the other challenges, and how do we handle them. Ray, how about some opening remarks?

Ray Dalio: Sure. I started coming to China in 1984 as a guest of CITIC, which was the only “window company” at the time, the only company that could look at the outside world. I’ve come through all those years and so I’ve had the pleasure of getting to know Chinese people, the culture and being able to contribute in some ways.

You refer to the changing world order and the part of the book about principles for dealing with the changing world order. What I learned in my life through over 50 years of macro investing is that many things that surprised me because they didn’t happen in my lifetime before, but they’d happened many times in history. The pandemic is a good example, but I didn’t realize that if I looked back on history when these new developments occurred, I could learn the lessons of the past.

And so, there were three things that drew my attention and led me to study the last 500 years of history, particularly to study the rises and declines of world

reserve currencies and the empires that were behind them. Those three things were: first, very large amounts of debt and money creation and the printing of money of the reserve currency to monetize that debt. These levels of debt monetization have never happened in these magnitudes before. You have to go back to the 1930–1945 period to see the same extent of it and it happened many times in history. The second is great internal conflict caused by large wealth and values gaps, leading to very large political gaps between extremists of both sides, populists of the left and populists of the right. In the United States today, the gaps are the largest since the 1930 to 1945 period, but you have to go back even further to the 1900s to find the same level of gaps. These are shaping the political and economic decisions not only within the United States but in many countries, but they are particularly important in the United States. The third force is international conflict, including the great power rivalry that exists between the United States and China now, and also Russia. These types of conflicts by all measures, as mentioned in the book, are the largest in the past 500 years if you look at the statistics.

When I studied history, I also saw two other major forces which China is familiar with. Those are, first, acts of nature—droughts, floods, and pandemics have toppled more civilizations and killed more people than wars or depressions. They have a bigger impact and of course they are important factors today. The second is human innovation and inventions, which is a particularly big factor. These factors and the previous three operate in big cycles, which you can see these cycles over and over again. In the book, you'll see the charts measuring all of these things plus many others and so by knowing where we are in the cycle helps me today. Now when we look at 500 years of history, we realize that these issues right now affect us at the moment, including the debt and money situation, the internal political situation and the external conflicts we see day by day. Together, these are going to determine the environment we're in. So, I hope that can be the background of our conversation today.

Today's Major Challenges

Henry Huiyao Wang: You have uniquely pointed out the five major challenges we are now facing and compared them in an historical context as well. I'd like to talk about your first observation on the debt issue, the printing of money, and related issues. It seems that we've come to a stage where I don't know how sustainable that can be. The second factor, rising populism, I think is related to deglobalization right now and the question is how we can meet that challenge both for the US and China. These two probably are the most important issues that come to mind right now. The US is really facing more challenges after the pandemic with polarization, but it's also happening in China and other countries. So, what do you think about the current situation in terms of these two issues?

Ray Dalio: There are two debt cycles. There is a short-term cycle that we usually

call a business cycle, which takes about on average seven years to complete from recession to growth, to bubble and to recession. Those together add up over a period of time and become a long-term debt cycle, because debt levels have risen relative to income levels. The way it works mechanically is very cyclical because when you give credit, you give buying power, but credit comes with debt and debt must be paid back. And when you pay it back, it's not stimulative but depressing, and so it produces that cycle. Because central banks don't want the bad part of that, they stimulate more and more of those cycles and debt levels build up. And because 'one man's debts are another man's assets', that balancing act continues.

So in the world right now, mostly led by the United States, but other countries too, particularly western countries, you're seeing a short-term cycle where there's a tightening of monetary policy, which is meant to fight inflation by issuing a lot of credit and stimulate, but this also creates a lot of debt. Then it picks up the economy and then with that it produces inflation. The amounts of debt that were created are unprecedented, except in the 1930 to 1945 period, so they produced inflation. This shouldn't be surprising. When you produce a lot of credit, it results in a lot of buying and a lot of inflation. So now you're seeing a tightening of monetary policy, but you're still producing more debt than you are paying back. In other words, spending is greater than the income in the United States and a number of countries.

So, we're in the tightening part of the short-term debt cycle, but we're also at a stage in the cycle where the long-term debt cycle is a problem, because there's a lot of paying back. You cannot sustain spending more than you're earning, because then that reduces returns. We are in a situation where even the United States dollar as the world's reserve currency is increasingly being questioned. Partially because the United States is no longer the dominant trading power since China now counts for a higher percentage of world trade than the United States does. Until recently, China did not denominate that trade in Chinese currency, in Renminbi. However, increasingly, there is a desire, both on the parts of those who are transacting internationally and in China, to diversify their reserves and their transactions.

At the same time, as you point out, there's internal conflict in terms of wealth. There are big wealth gaps, which result in big values gaps. This, in turn, causes great political gaps and greater extremism. So, is this resolved through taxing the rich more or transferring wealth? Taxing anybody is politically challenging, which is why you see more printing of money. However, this has an economic impact and internal discontent. You're seeing that polarity in the conflict that we saw on January 6th or that which is going on with Brazil and things happening in a number of countries. It's a result of the gap in wealth and the gap between the values of our country.

So as we look ahead, we see a tightening of monetary policy having a depressing effect on markets, most of which are down significantly from their highest points. This then has an effect on global economic activity. We can talk about China separately as it operates more independently, but if you take the

world outside of China, that's the pattern. If you look at 2023, the tightness of monetary policy will result in a year of a relative stagflation or stagnation depending on the region—Europe, Japan, the United States and then emerging countries. China also has its issues.

2024 will be another political year and a very important one with populism as a win-at-all-cost type of operation. Recently we've seen Republicans having a hard time to find house leadership and extremists blocking them and trying to win at all costs. This is an internal conflict that affects the effectiveness of government. Of course, we should also talk about the third influence, which is US-China relations.

Henry Huiyao Wang: I think you've described the current state of the world very well, in terms of both the political situation and deglobalization, including the root cause, the effect, and the result. You're right, the US has a large debt issue, as do many other western countries. This has resulted in populism and nationalism, which leads to internal conflict, as you describe it. That's where I think with so many domestic challenges, when we talk about China-US relations, maybe externally people look for more scapegoats with people aiming their anger at other countries because people are not happy at home. I was talking to Richard Haass several weeks ago and he was talking about how maybe it's time that we do more to address domestic challenges.

You mentioned China-US relations, which have been constantly deteriorating, especially in the last five or six years. What is your assessment? How can we really get along better on both sides? We have Secretary Blinken coming probably in February and China just finished its 20th Party Congress with a new central leadership to be put in place later this year. And of course, 2024 is an election year in the US. Given this transition, how can we find a new equilibrium or narrative rather than what we seem to have right now? You're a great China hand and you have knowledge on both countries, so we'd love to hear your thoughts on these pressing issues. How can we avoid great power rivalry, or the Thucydides Trap, as our friend Graham Allison has been calling it.

Ray Dalio: There's almost a destiny when you follow these cycles. When there are domestic problems like those we're talking about, the gap between world powers narrows. Conflict has a high probability of rising because when this world order, the American world order, began in 1945, the United States accounted for half the world's economy. It had 80% of the world's money, which was in gold at the time. It had a military dominance. So, of course, there was not going to be the same kind of conflict. The conflict with the Soviet Union was not comparable because it was not a comparable economic conflict.

But now, when you have suffering at home, there is blame. A lot of populism goes back to whether you lost your job and why you lost your job. It's a combination of the billionaires at home and the Chinese outside. In the past, people liked being able to buy things inexpensively from China and trade that for the debt. I remember when per capita income in China was 1/40 of the United

States and China lent money to the United States to buy Chinese goods. That was once a good deal, but now it's resentment, which has resulted in populism. If there was not a comparability in power between the two countries, there wouldn't be a fight, but with this comparability, since there's no world court, they don't have a way of resolving it.

Throughout history, there have been five kinds of wars – trade wars, technology wars, geopolitical influence wars, capital and economic wars and military wars. We are certainly experiencing the first four of those and there are risks of the fifth. It's very difficult to get out of because of how such disputes are resolved. But you're right to focus on domestic, because at the end of the day, if you want to be the most powerful and win a war, you have to be strong domestically. That has to do with the basics: earn more than you spend, be productive, educate your population well, be civil, and don't have internal conflicts. Both domestically and internationally, these basic fundamentals are what will determine strength.

Now, what do you do about that? First, recognize that you should be very fearful about a military conflict, because the power to do each other harm has advanced enormously. The great technologies for doing each other harm is greater than ever before and everyone in the world should be fearful and deal with that at all cost. I was very happy to see that President Xi and President Biden were dealing with that question as a priority in their last meeting, and that is what has led to Secretary Blinken's visit. It's very very delicate and the fear of mutually assured destruction should be a great motivator. I don't think the other competitions are going to change and I think they'll intensify, whether it's the trade war, technology war, geopolitical influence war, or the economic and capital war. I think those will be a test of the strength of the two systems and I think avoiding military war is what we're looking forward to.

Keeping an Interwoven World from Unraveling

Henry Huiyao Wang: That's an excellent analysis of the current situation. I noticed at the OECD, at G7 and then at G20 that President Biden proposed, and everyone agreed to discuss global minimum corporate tax. When Fortune Top 500 companies—and China now has more Fortune Top 500 companies than the US—operate worldwide, they should have minimum tax that will benefit both the home and host country. But there is a tendency for companies to operate worldwide, leaving the mid-west area or interior of the country out and blue-collar workers don't benefit from globalization. That's where politics is local, and business is global. This situation is happening in the US, while China may experience it later.

You mentioned global governance and it's true that the WTO, IMF and UN are not functioning as effectively as when they were established and the Bretton Woods system is probably ineffective now. So, the question is how can we really safeguard these multilateral systems and work together on that? You've also

mentioned acts of nature and technology, so how can big countries work together to avoid that?

You also say competition continues, but where's the cooperation? China is rising and has lifted 800 million people out of poverty, contributing to 70 percent of global poverty reduction efforts. China also does not export refugees or famine, helping to stabilize the world, while at the same time providing affordable, good products that keep inflation low. China is the largest trading partner with more than 130 countries. How can we really resolve our differences and accept each other, or at least reach a new equilibrium? We are certainly in the process of trying to resolve our differences, but you are right and we cannot get into a hot war. That would be devastating and terrible. We are already facing a pandemic, climate change and natural disasters—we cannot afford to fight them alone. What do you think the solutions are? How can we avoid getting into a hot war? You're a great expert in economics, trade and investment and these areas intertwined, which makes things different from the Cold War era. Economically, we depend on each other. Now it seems that the US is trying to decouple from China. You talked about six wars—five wars plus the culture war. If we eventually drift apart and lose all connections, maybe it's easier to go to war. So how can we become closer instead of letting this intertwined world unravel?

Ray Dalio: I think it's very likely that both countries are dealing with the possibility of war and for that reason, they do take actions for self-sufficiency. The building of technologies, for example, that one is receiving from the outside world and is dependent on, needs to be done in both countries, so there's increasing move toward building that self-sufficiency. It's inefficient, but it redirects the economies in that way among the great powers.

There are other countries in the world that are not in this great power rivalry, such as India, the ASEAN countries, the Middle Eastern countries and so on. They are becoming more global in many ways because they are benefiting from some of the conflict. People who want to avoid conflict are moving their capital or production to other places while this is taking place. I think we're going to see more of that as a result of this dynamic. To be neutral in conflicts is a preferred path that most other countries are and want to be on. As a result, you are seeing globalization taking place in different places in different ways. I think it's important to distinguish the countries that are in conflict—China, Russia, the United States, Europe and to some extent NATO countries—and those that don't have internal conflict and don't have these issues. Good places are places that are earning more than their spending and have a good balance sheet. They have limited internal conflict, which promotes harmony and effectiveness, and they are not in external conflict. People from all over the world, including China and the United States, are going to some of these places because they are places of opportunity, while the others are in conflict. I don't think it's the end of globalization as much as it's a movement of globalization to other places. This is the power of globalization, because when you get the best minds and technologies together, wherever it is, it's a very powerful force. That is what

we're going to see more of.

Henry Huiyao Wang: That was a very frank and straight analysis. It would be very unfortunate if we got into a war. I think China is actually pursuing more economic globalization whereas the US is still safeguarding the old order that was established after the Second World War, leaning more on the security side. For example, NATO has added more countries and there's the Five Eyes Alliance, the Biden Administration basically set up the Quad, the AUKUS nuclear submarines alliance, and even the IPEF (Indo-Pacific Economic Framework for Prosperity), which some ASEAN countries have joined. But China is working in the other direction with the Belt and Road Initiative and AIIB. China has already joined the RCEP and wants to join the CPTPP as well as the DEPA (Digital Economy Partnership Agreement). It's also started a China-African cooperation project and signed an investment treaty with the European Union, which still hasn't gone into effect because of sanctions. China recently also started more economic relationships with Latin American and Arab countries—President Xi just attended China-Arab States Summit last month. I see a more dual-track globalization process where China is pursuing a more economic-oriented form of globalization while the US is pursuing a more security-oriented style of globalization. Countries who don't want to get involved in this rivalry maybe have to pick sides now, which is not healthy and could cause the global economy to slow down and even go into recession. So, what's your take on that?

Ray Dalio: First of all, though there will be a lot of pressure to pick sides, I think most countries will not do so. You can see that in the UN votes on the Russian issue. You can see that on trade deals. You can see all the deals that came out of President Xi's visit in the Middle East. When I go around the world and speak with world leaders, they often ask me which side should it be, US or China? If it's economic, it's probably China. If it's military, will the United States be there when we need it or not? That's a kind of popular thought. But by and large, you can see most countries are behaving outside of that alliance to just try to go on and that's benefiting them. India, Indonesia, numbers of ASEAN countries and Middle Eastern countries are benefiting from this in many ways. So I think that's our new normal.

Henry Huiyao Wang: I really hope those countries aren't forced to pick sides, because people are economically driven in the end; they have to pursue a better life. If they have good prospects and bring quality food to the table, they will continue to enjoy the life they have been enjoying.

Ray Dalio: At the same time, during periods where there are risks of war, everything economically is put to secondary importance. History has shown this. For example, in the Korean War, the United States was a dominant power but because of sovereignty. Sovereignty and other issues are of paramount importance, so economics doesn't always rule. In World War I, they intermarried

but it was run by kingdoms, and they still went to war. Of course it's the most important thing under normal circumstances, but when you have the risk of a war, economics will take a secondary role. The idea of being self-sufficient by doing things that are uneconomic but guarantee that you have your supply and production base, is of paramount importance. So, I agree with you that economics is important, but at such times you can't necessarily assume the highest living standards. Since I started coming to China in 1984, per capita income has increased by 28 times, life expectancy increased by 10 years and the poverty rate, in term of being hungry, went from 88% to less than 1%. These are amazing achievements. If there was negative growth, in comparison to where China has been, you'd almost be spoiled to complain in light of the overall improvement in living standards. Sometimes it's expected that people will not necessarily put a decline in their living standards as paramount importance. People sometimes have to suffer a little bit for the greater good and you know that any Chinese person who has studied dynastic history knows that.

Henry Huiyao Wang: Absolutely. We are living in a world where since World War II, we've been able to avoid a third World War because of the prosperity boom we had thanks to the World Bank, IMF, WTO, and other institutions. I hope that we can continue, but internal conflict, populism and nationalism that's on the rise is really driving us apart and may lead to decoupling or a self-sufficiency, which could weaken our ties and connections and possibly drive us into a hot war. That's really dangerous. Like we said at the start, both the US and China need to address their own problems instead of blaming each other. We could still continue with some sort of engagement and maybe trade is the best medicine for keeping everybody connected. Your book is great and it outlines three big cycles, but in talking about all those issues, you have a different kind of model where you outline eight key measures of power—eight key measurements of how we can do better domestically. Maybe if we concentrate on domestic issues—education, innovation, technology, the cost of competitiveness, military strength, trade, economic output markets and financial centers and reserve currency status, we could do a bit better.

Ray Dalio: Education is very important.

Henry Huiyao Wang: I agree. China is catching up on education and now has 218 million people with college degrees, adding more than 10 million every year. If every country focused on that, maybe we could still find a way to cooperate with each other rather than being rivals. I don't know how long this challenge will last, but it's not good for future generations. Is there any advice you would give to both countries on how we can continue peacefully? I was talking to Joseph Nye last year and he was saying that there is a 20-year cycle. Right now we are in a very agonizing period, but maybe in 15 or 20 years, we will reach a new equilibrium. Maybe China will accept the US and the US will accept China because China has already accepted globalization and the boom that trade has

given China. China also wants to maintain the existing global order, whereas the US seems to want to change it. So, the question of how we can change for the better rather than divorce or decouple is one that really concerns a lot of people here in China.

Ray Dalio: It is so much better when we work together. But I have a principle that if you worry, you don't have to worry and if you don't worry, you need to worry, because if you worry about something, you will prevent the thing you're worrying about. And if you don't worry about something that might happen, you won't prevent it. First, I think worrying about this conflict is a good thing. I think that also if you look at the opportunity of what the world can be like when we work together, which we have seen, it can be a beautiful world. There's so much more creativity and so much more harmony. I love the harmony and the people who've experienced it. We need mutual understanding. That's why conversations like this and spending time in both places is so important. There's a lot of upside to harmony and working together and there's terrible downside for not doing that. We all know that.

The question is, can you get away from what's called "the prisoner's dilemma". This is when you don't know if the opponent is going to kill you or work well with you even though it's in your both interests to work well together, the logical thing is to kill the opponent, because that dynamic or competition, is the threat. I just hope that as we work together in these distant ways that we can achieve that, but we have to be realistic.

I think the Taiwan issue is a big issue and it's our only great threat issue. I know what it means to China and I know the issue, but if we can have peace militarily and deal with that issue somehow then there's just the competition. It could be a difficult competition, or cooperative competition, but it will be a competition and that's okay.

Stabilizing the China-US Relationship

Henry Huiyao Wang: Graham Allison talked about cooperative competition and Joseph Nye talked about cooperative rivalry, but that seems to be the only status we could reach. As you describe in your book, Taiwan is really a major risk in our relations, but I really hope that we still focus a bit more on the economic side. I think economic integration between the mainland and Taiwan before the current President, Tsai Ing-wen, took power, was already happening with millions of mainland tourists flooding into Taiwan while we bought a lot of agricultural products from Taiwan. Taiwan enjoyed a huge trade surplus with the mainland. There are well over two million Taiwanese working in the mainland as well as several hundred thousand marriages between couples living across the Taiwan Straits. I believe that if we pursue that economic corridor, then we can eventually integrate. I was glad to see that KMT swept almost all the major seats in the recent midterm election as it recognizes the 1992 Consensus which outlines

the “One China” principle. Hopefully, if we don’t have too many senior level officials or congressmen and senators from the US visiting Taiwan, China would be less likely to cross the midline or fly over the Taiwan Straits. I think you’re right. We need to visit each other more. We need more congressmen and senators visiting China rather than visiting Taiwan. Let’s see how China’s functioning pretty well and then maybe you can avoid this kind of distrust, as you said, is “the prisoner’s dilemma” that we are in. We really hope that we’re not getting to the point of that. That is speaking to the world that we are facing. I’m very glad that you mentioned that.

We’re in a new year and China just lifted its quarantine requirement for travelers yesterday. Now everybody can freely come to China and we’re getting close to herd immunity. In Beijing, cars are back on the road and restaurants are full. Hopefully there will be more people coming from abroad. So, what do you think of the post-pandemic future of the US economy, Chinese economy and of course the world economy in 2023 and what opportunities do we have after three years of lockdowns. Before locking down, China had 150 million outbound tourists and more than 5 million annual trips between China and the US. We still have a lot of Chinese students going to the US with over 300,000 currently there. Hopefully people-to-people and business exchanges will stabilize the situation. What’s your advice on how to stabilize relations for both China and the US going forward?

Ray Dalio: I’ll deal with the question of the US and the economy outside and then the Chinese situation. 2023 for the world outside of China is going to be difficult because of the tightening of monetary policy, the issue pertaining to the Ukraine war and other matters. It depends on what country you’re looking at, but on average it will be a recession year with relative stagnation. That creates an environment, if we look at China now, that represents a poor export market to sell into. For China, I think that with the new leadership, it will be difficult taking on some of the challenges, including the Covid challenge, which we have reason to be optimistic about, but because of that, there’s also an economic challenge arising from the real estate and associated debt problems that have come to local governments and across the system. My hope is that as we come to 2023, those economic issues can be dealt with, because whatever debts that exist in finance are in the local currency.

Another factor is the change in the regulatory environment as it pertains to large tech companies and so on, but it’s improving and there’s a lot of development of an entrepreneurship as can be seen with the Little Giants Program and the development of the Beijing Stock Exchange for those types of entrepreneurial companies. And there’s a shift in the economy to a healthier economy because as President Xi said, when you build housing to speculate on rather than to live in, it’s a waste of resources. There will be a redirection, but there’s an adjustment that has to take place. There is also the issue of safety in the world, which I think will improve, but internationally can we safely produce in these countries that are in conflict.

These are not very big challenges, but what matters most is the strength of the leadership. And I do believe that common prosperity is what both countries need, because without common prosperity that benefits most people, you have the internal conflict. That's why this is an adjustment period for both countries and there's new leadership, but there are also challenges. I think that China's growth rate will pick up and my estimates are maybe 4.5% to 5%, which in the United States we would consider a boom. Europe will be stagnant while the United States, South America, and lots of the emerging countries generally will have a difficult time in 2023.

Henry Huiyao Wang: You're a great investor and maybe you can give us some insight into what products or sectors we should focus in the next year or two, like energy, especially with the Ukraine war going on—but also clean energy and other areas like AI. What new sectors should we look into or countries and regions that we should pay more attention to in terms of the global market, Maybe you can share some of your wisdom on where should we put our money?

Ray Dalio: Diversification in good places and good industries is very important. I would say the good places are places where there is more income than spending; places that are profitable and good income statements and balance sheets. Finances are very important today and you can see which are financially strong from income statements and balance sheets, just like people or companies. The second is internal conflict. If you have major internal conflict, the situation becomes dysfunctional and creates uncertainty, which is disruptive, as opposed to harmony, unity and civility, which are all measurable. So, you have finances and how people are with each other.

And then number three is the risk of an international war, because countries with have a risk of getting involved in an international war will suffer in various ways. The regions I look for are places that are exempt from those things.

In addition, in technologies and new areas, I think you are going to see revolutionary changes in the way we live. Disruptive technologies are taking place all over the place, because computers have supplemented mental intelligence, which gives us the ability to invent like never before and those developments are creating huge disruptive technologies in many areas. We can talk about AI, but you can carry it to biotech and green technologies as well, but there are so many areas where they are going to be technological achievements.

The only two countries in the world really who have the scale and the level of technology to do it in a big way are the United States and China. Of course, technologies are developing everywhere, but you have to look at those disruptive industries, which I think are going to be powerful because the greatest power over time has been human innovation. Most of these other forces like debt, internal conflict, external conflict and acts of nature have come and gone. A depression usually lasts a few very brief period of time. Internal conflict and last only few years at most usually. But the greatest force is human innovation and technology and it's never been greater. So it's important to understand those

technologies in those regions and investing with those criteria in mind is most important.

Henry Huiyao Wang: That's was a very unique summary of what's going on and you've given us some great advice about future choices, which is very valuable. Today we've covered all the dynamic things going on that affect the world, the US and China, and how we should solve our own problems internally and avoid widening gaps in polarized societies. How we can get along with each other as countries is also very important in order to avoid military conflict and refrain from forcing other countries to pick sides. We also looked at the future, where there's growth and where we have to make more efforts.

But I'm very glad now that it seems the pandemic is over and we can return to a more normal life and international exchange. I really hope that we can welcome Ray and some of our other friends from the US back to China. You've been traveling to China since 1984, which is remarkable. I also started going to North America in 1984. We've witnessed so much change in China and for a business leader like you to share your insights and advice with the younger generation is so important.

I truly hope that China and the US will continue to cooperate and while we'll have competition but avoid getting into a conflict. Maybe we will have more healthy competition, in the spirit of the Olympics, but no conflict. So, what are your final words of wisdom for us?

Ray Dalio: I don't know about the wisdom, but I'll give you my closing remarks. I think that conversations like this and relationships such as those that you and I have, and that you have with Americans and American leaders and that I have with Chinese leaders and Chinese friends are so great! The truth is we've never had it better, really. I've seen the difference in China's living standards and our living standards are really higher than they have ever been. Communication is greater than it's ever been. There is this threat, but most likely wisdom will prevail, and we will continue to build on our relationships as long as that we don't waver in pursuit of those types of friendships. When he was 11, I sent my son to an all-Chinese school and he was the only foreigner, but he said he became a bit Chinese and made a lot of relationships. There are many who understand those relationships and it's a powerful force to understanding. We just have to continue to have these types of conversations and create these kinds of relationships and I believe that force is a great force that will win out in the end.

Henry Huiyao Wang: Thank you so much Ray, we've talked a lot and really appreciate you taking the time to join CCG's China and the World dialogue series.

US-China Relations in a Multipolar World

Universally recognized as the most consequential relationship of the 21st century, the decisions made by the United States and China, domestically, bilaterally and on the wider global stage, will shape the future of the global order in what is inevitably becoming an increasingly multipolar world.

Domestic social and political changes in the United States have been a major destabilizing factor in relations between the US and China, not least of which is the trend toward a more conservative, 'America First', stance as evidenced in both the first and second Trump administrations as well as to a certain extent during the Biden administration. Both rhetoric and policy have, at times, inflamed tensions and created roadblocks to pushing forward positive changes in relations between the two countries.

However, whether in intergovernmental exchanges or in the private sector and academic, the emphasis has been on finding common ground that will lead to an offramp so that the two countries can co-exist peacefully. This would not only be beneficial for both sides, but also provide the world with a more stable, predictable and smoother global environment in which to trade and develop.

In navigating these differences, which include fundamental divisions in both culture and value systems, the US and China should work to recognize, understand and accept these differences, and then work around them to find a way to cooperate.

One suggestion for managing this most important of relationships is the creation of a 'secretariat' that would bring representatives from both countries together in one neutral location to ensure efficient and timely communication on anything from day-to-day policy and trade issues as well as potential emergencies that might emerge.

Making Sense of Trump's Foreign Policy

A Dialogue with Peter Trubowitz

Henry Huiyao Wang and Peter Trubowitz

During his second term, President Trump's foreign policy emphasized "America First," challenging established international alliances and trade agreements. He withdrew the United States from key global accords, renegotiated trade deals, and applied significant pressure on partners to increase defense spending. In one word, the arrival of Trump 2.0 is accompanying with global turmoil.

In the following dialogue, CCG President Dr. Henry Huiyao Wang and Professor Peter Trubowitz shared insights on the strategic logic that underpin Washington's evolving foreign policy, they discuss three possible interrelated trajectories, a US market and security rebalancing strategy, the US consolidating influence within the Western Hemisphere, And a G2 mechanism. Whilst also engaging on topics ranging from Taiwan to the outlines of a new US-China détente.

They also engaged in live Q&A with journalists from Bloomberg and Phoenix TV on Taiwan issue.



Henry Huiyao Wang in dialogue with Peter Trubowitz at CCG's Beijing office

Peter Trubowitz is a Professor of International Relations and the Director of the Phelan United States Centre at the London School of Economics and Political Science, and an Associate Fellow at Chatham House. He writes and comments frequently on international affairs and American politics. His published work includes *Geopolitics and Democracy: The Western Liberal Order from Foundation to Fracture* (with Brian Burgoon, 2024), *Politics and Strategy: Partisan Ambition and American Statecraft* (2011), and *Defining the National Interest: Conflict and Change in American Foreign Policy* (1998). Before joining LSE, Professor Peter Trubowitz was Professor of Government at the University of Texas at Austin. He has held visiting positions at Harvard, Princeton, Tsinghua, the University of Chile, CIDE (Centro de Investigación y Docencia Económicas) in Mexico City, and Beijing Foreign Studies University, where he was the William Fulbright Distinguished Lecturer in American Foreign Policy.

Strategies Underlying Washington's Foreign Policy

Henry Huiyao Wang: Since Donald Trump took office nearly 10 months ago, he has really shaken up the world—East, West, North, and South. Particularly in the relationship between China and the US, he's become a central figure, often the talk of the town, and he's had a huge impact.

You gave a very good analysis of these three possible strategies, but my personal thinking is that I would suggest a fourth one: the mixed approach—which may actually be happening.

Do you see the possibility of the Trump administration consolidating America's sphere of influence? Rubio's first visit was to Latin America, and when he first took office, Trump mentioned Canada potentially becoming the 51st state. He also asked "Why don't we acquire Greenland?" His son even visited Greenland.

Now, the first strategy of rebalancing is probably going to be difficult. The US has around 800 military facilities overseas, but now they're saying that everyone has to increase their defense budgets because the US is no longer willing to cover those expenses. The pivot to Asia is also something they may need to walk back. It really seems they are trying to consolidate their sphere of influence and impact.

If that is the case, what do you think Trump is going to do? He's still very much obsessed with peacemaking, which is something we need. But at the same time, we're seeing him criticise the governments of Latin American countries like Honduras. The Brazilians also have a very negative impression of the US, especially since Trump imposed a 50% tariff on them. I recently came back from the G20 in Johannesburg, South Africa, and once again, he was even criticising South Africa. Later he said he won't be attending the G20 in Miami next year. So, how do you think that strategy would work? Or do you think the second strategy of dividing the world up into spheres of influence is more likely?

Peter Trubowitz: These strategies are different, but it's possible that they could be combined, and so that we could get some kind of a hybrid of maybe the second and the third strategy of the "G2 condominium", or possibly the first and the third strategy.

If they really push for a kind of a return to what used to be called in the United States a "Quarter Sphere" policy, meaning a Western Hemispheric policy—this is going back like 80, 90 years. There are two potential problems with this. I mentioned one, which is for the US to pull back from Eurasia, creates the possibility of vacuums and so forth—strategic vacuums, geopolitical vacuums.

But to the extent that the US throws its weight around within the Western Hemisphere, there's likely to be pushback in the hemisphere. Venezuela is not the issue; Brazil is, Canada is, Mexico is. And so, there's irony here, because for 30 years, the United States has more or less ignored the hemisphere and now it wants to get very engaged. I think there are countries within the hemisphere that are going to be concerned about the terms of that. I think in some ways, they will welcome the re-engagement, but they'll also worry about the terms that come with it. If Canada's experience with the United States is any indication, there's going to be some pushback, as there has been with Brazil. So, I don't think the United States can necessarily expect any easier a ride within its region than China could within its own region.

Henry Huiyao Wang: After so many years of spreading itself thin across the globe, it's probably time for the US to come back and focus a bit closer to home, concentrating on its own sphere of influence and its neighbours. It really needs to take good care of them.

Comparisons can be made, just look at China, which is doing really well with ASEAN, which has become China's largest trading partner. In contrast, Latin America is not America's largest trading partner. In fact, collectively, China is the largest trading partner for Latin America as a whole and for most countries individually, including countries like Brazil, Argentina, and many others, except for Mexico. I think the US is probably doing the right thing by focusing on their own sphere of influence, allowing them to put a bit less pressure or attention on China. And I think China would welcome that.

Trump actually mentioned the idea of a "G2," which aligns with your third strategy. Basically, I agree with you. Fred Bergsten at the Peterson Institute proposed this years ago, and Niall Ferguson also discussed it in terms of "Chimerica"—China and America. As you said, this is Trump's personal opinion, but I also believe that it's a reality now.

In Trump's second term, he imposed tariffs of 200% and even 400%, and China responded with tariffs up to 125%. Things began escalating, but soon after, they started to de-escalate. At the recent meeting in Busan, South Korea, President Xi said that China and the US should get out of the vicious cycle of sanctioning each other. In a sense, I think that's a reality the US is recognising now.

I also attended a reception for the US Deputy Head of Mission here in Beijing, and he mentioned that during his time here, he's really been trying to seek strategic stability with China. Rubio also said in an interview with Fox News in July that both China and the US are so large that we cannot really change each other. We might as well coexist and seek strategic stability, but Rubio's perspective on "strategic stability" stands in sharp contrast to Trump's first term in 2017, when he introduced the National Security Strategy, labelling China as a strategic rival, even ahead of Russia.

But it's not just Trump that's saying this. It's likely to become a reality. The world has so many issues that the US and China have to work together on—war and peace, and other global matters. Since Trump has voiced this openly, could this also signal a new trend where China and the US collaborate more? I remember a Foreign Ministry spokesperson commenting on the idea of a G2, saying something like China isn't saying that we are part of a G2, we don't recognise that, but we do see the possibility of working with the US on some big issues. In a sense, they didn't say yes, but they didn't say no. Essentially, they're looking to collaborate with the US on global issues such as the UN, WHO, WTO, and so on.

So, in that sense, even though you said Trump is the only one who is talking about this, and there are a lot of hawks in the US who don't agree with this, that it could mark a gradual shift towards a new reality, because China now has the ability to counter-sanction the US? If we reach a new equilibrium, it might force both sides to recognize this reality. Even though Steve Bannon and a few others may not agree, we would have to live with it because we are so intertwined, and so many global issues require the US and China to work together. So, the G2 concept may not sound ideal in terms of naming, but it's clear that the US and China must collaborate to solve global challenges.

With that kind of scenario in mind, we are likely to see more high-level visits from both sides. Trump is coming to visit next April and President Xi is expected to attend the G20 next fall or winter. Within the next year, we might see one or two more such meetings. There will also be many ministerial meetings in the interim, which may result in some stability between the US and China.

G2 Mechanism and World Affairs

Henry Huiyao Wang: In the context of the G2 concept, the US and China will probably have to work very hard together to maintain stability in world affairs while Trump consolidates America's sphere of influence. What do you think about what is currently happening?

Peter Trubowitz: Well, I think it's true that Trump was, with respect to the G2, responding to facts on the ground, specifically the fact that China pushed back and could hurt the United States just like the US can hurt China. I do think the pushback and the use of rare earths was like smelling salts for many in the

United States. It was a wake-up call that it wasn't only the United States that had a weapon that it could play.

I also think the reality for Trump with respect to the tariffs that were imposed on China in April and then kind of backing away from it is due to the reality of the bond market in the US and its reaction. He can see also that regardless of he says about how great the economy is doing, his own popularity is declining—not among his base, which is solid and doesn't seem to care what he does, but if you look at independent voters, his support has dropped considerably. I don't think it's over things that he says, it's over the economic realities, which is partly the result of the tariffs that have been imposed. There are domestic constraints there as well.

It's possible that the US and China have entered a period—let's call it like a *détente* right now—where they will be able to kind of work together to manage the relationship and hopefully, find problems that they can work on together that really do need attention. I'm thinking about like the dangers of a sea collision in the South China Sea, or that there should be much more attention to alerting each other to missile firings. There should also be far more one-to-one or military-to-military meetings to reduce the risks of something inadvertent happening. What the US and China don't need is a Cuban Missile Crisis to be brought to their senses. This needs to be done in advance.

My concerns about the relationship, going forward, are twofold. Historically, the only times that the US and China have really been able to cooperate is when two things have been present. The first is a common enemy. When Richard Nixon and Mao in the 1970s, there was an opening because of a common enemy, which resulted in a tacit alliance against the Soviet Union. The second thing that has allowed cooperation on the economic side is when both sides have coalitions that see huge advantages in international exchange and cooperation, trade, and investment, which is what began to unfold in the 1980s and even more in the 1990s and into the 2000s.

The problem right now, structurally speaking, is that there is no common enemy. We could talk about potential common enemies, which don't necessarily have to be geopolitical—they could work together on climate and so forth—but there's no common enemy that has pulled them together. Right now, I think both sides have nationalist coalitions, which means that there's a limit to the amount of economic cooperation that we will see between the two sides going forward. It is within those constraints, which I think are structural, that the two sides have to work together to manage the relationship so that it doesn't go bad. It's in neither side's interest to have the relationship go very bad, and it's certainly not in the world's interest. So, I think there's scope for cooperation and I think they've seen what happens on both sides when they start kind of engaging in tit-for-tat exchanges. This kind of zero-sum relationship doesn't work for both sides.

Henry Huiyao Wang: Very well said. In the 1970s, when Nixon and Henry Kissinger came here, they had a common thread probably at that time that brought them together.

I have some new thoughts now because I think we have reached a kind of new equilibrium. China has become so resilient and is still going, but we have also built up our deterrence. Would it be possible to shift from “Mutually Assured Destruction” to “Mutually Assured Construction?” The world is so intertwined and global GDP has gone up hundreds of times since the Second World War. There’s no way we can separate from each other. I’ve talked to Graham Allison quite a few times about this and he likes to use the metaphor that China and the US are like conjoined twins. If either twin decides to strangle or break away from the other, both would die. So, even if we don’t have a threat from a mutual enemy, we certainly have a mutual threat to our survival, and that maybe could carry us along as well. “Mutually Assured Construction” is necessary to survive in this deeply intertwined world.

As you said, businesses are complaining. When Trump raised tariffs on the \$400 billion trade deficit, he immediately granted \$100 billion in tax-free exemptions because 80% to 90% of Apple phones are still made in China, 50% of Tesla cars are made here, and 60% of Walmart’s purchases come from China. So, he has to live with that.

“Grand Bargain” and “Small Ball”

Henry Huiyao Wang: I do think you’ve raised an important question about geopolitical issues like the South China Sea and possibly the Taiwan Strait as well—that could be a sore point between China and the US. You talked about the “Grand Bargain” in an article you published in *Foreign Affairs* some time ago. Can China and the US reach another Grand Bargain? I was really encouraged to see that neither side talked about Taiwan when President Trump and President Xi met in Busan. They seemed to agree that this is neither a bilateral issue, nor a multilateral issue, but a domestic issue. They chose not to discuss it. Furthermore, President Trump vetoed \$400 million in weapons sales to Taiwan, nor did he allow Lai Ching-te, the DPP leader, to transit through the US to visit Caribbean countries. These are really great, constructive moves, in my opinion. On the other hand, the KMT just elected a new chairperson, who has made very constructive statements, saying she is Chinese, recognises the 1992 Consensus, and expressed a willingness to meet with Chinese leaders as many times as possible. There seems to be momentum toward peace on both sides.

I also attended a meeting at the Great Hall of the People, where Chinese leaders like Wang Huning spoke during the 80th Anniversary of Taiwan’s Restoration. He mentioned that the central government could offer more incentives and create a more integrated economic system. I’ve read from other sources that the government suggested Taiwanese people might not have to pay federal taxes if unification occurs, and Taiwan could have as many consulates as possible. Currently, Taiwan only has a few embassies left, so there would be much more freedom in that regard. The Fujian government has also opened access to all Taiwanese citizens coming to Fujian, offering free schooling,

healthcare, social security, and employment. I really would like to see that policy expanded to the entire country. Just last month, China expanded ports of entry for Taiwanese from 50 to 100, doubling the number. Economic integration will be there, and if the US allows this to happen, we will likely see progress.

Recently, things have been quite peaceful. There have been no midline flyovers and no military exercises. That is why the Chinese government was so angry about the Japanese Prime Minister's comments, especially when so many things have been improving and progressing well. It's strange that US is not doing anything, but Japan has chosen to make a lot of noise, which I think is not the right thing to do. What I'm asking is whether the US and China could reach a Grand Bargain, where the US focuses more on Latin America and the Western Hemisphere, while China acts constructively in Asia. As President Xi said, the Pacific is big enough to accommodate both the US and China. Do you think this could be possible in the long run? Recently, the Taiwanese company TSMC has started building semiconductor factories in the US, which also indicates that Taiwan can truly coexist peacefully with this kind of momentum. I would think that if the KMT wins the next election, and as its chairwoman said, she would meet with Chinese leaders and we could discuss peaceful unification by 2028 or beyond, which is when the next election would occur. In that scenario, the US would have no reason to interfere, and we may have a much better relationship. This goes back to your second strategy of focusing on our own regions and coexisting peacefully. The RAND Corporation recently released a report called "Stabilizing the US-China Rivalry," calling for it to be more constructive.

Do you think this kind of scenario is possible? I think the only sore point, the core of the core, is the Taiwan issue. If we can let Taiwan integrate with the mainland and peaceful unification is achieved, then the US would probably be happy. It doesn't seem like Trump cares too much about ideology. People have said "Taiwan is a democracy, we have to defend it," but Taiwan's economic performance is even poorer than the mainland. Guangdong Province has a larger GDP than Taiwan. I think there are a lot of new ideas to think about in trying to find this new equilibrium.

Then there are all the trouble spots around the world that the US and China really need to work together on. This happened when the US was not supporting the WHO, China stepped up and said, "Okay, we'll donate 500 million US dollars to support it." We have tried to help each other in these situations. With so many hot spots around the world, we really should not concentrate too much on China's domestic affairs, like Taiwan. Just imagine if China sailed up to Cuba or Hawaii—what would the US think?

If they could reach some kind of new Grand Bargain, as you've mentioned, that would be ideal. What do you think about this new scenario?

Peter Trubowitz: I think that trying to pursue a Grand Bargain that in some way, implicitly or explicitly, settles the Taiwan question is likely to boomerang. For the United States. I think it will be that kind of arrangement will end up looking more "Faustian" as a bargain, because it will have such repercussions

in the region. It will undermine America's credibility. If it were to go down this path, it will raise questions about the credibility of its commitments elsewhere in the region. I wouldn't rule it out since Trump has kind of floated this idea periodically in TV interviews, but I think there are a lot of people around him that would push back.

There's a baseball metaphor in the United States that you can play two kinds of baseball. You can play what's called "long ball" and try to hit for a home run, solving all the problems with one swing of the bat, or you can play "small ball" by slowly getting runs and getting ahead incrementally. My advice would be to play "small ball" right now and not go for "long ball."

I think that there are possibilities for cooperation between the two sides, but they need to focus on narrower problems that don't run the risk of a backlash domestically, either in the United States or in China, and that they need to think long-term. I have a feeling that we are in for a long period of relations between the United States and China that will need to be managed by both sides.

I came to China during the golden years, but we're not in those years right now. You know, I'm also the Academic Director of the Summer School at LSE, which is the largest summer school in the world with 9,000 students coming there every summer. I spend a lot of my time coming to China to get Chinese students to come to the LSE. Partly, we do it because we need to make money, but my interest in it is not that—it is ensuring that Chinese and American students who come are meeting, exchanging ideas, networking and developing relationships. I think we have to be thinking about this relationship over an extended period of time, and you actually have to be thinking about the next generation and investing that way.

While I understand the allure of solving the Taiwan—whatever or however we want to refer to this issue. My own inclination is to look elsewhere, because I think were an American president to go down that path, it would be a very rocky road, and it would potentially be destabilising in the region. I think is probably the best place for it to be left in the short term is in ambiguity, because in the long term, the problem may resolve itself.

Henry Huiyao Wang: I think we're seeing positive trends with this evolution, the integration in business and people-to-people exchanges, and the opening of more entry ports for Taiwanese. There are two million Taiwanese working on the mainland, and there are half a million marriages across the Strait. Eventually, things will probably smooth out. I really think the KMT has a very good chance, because 60% of the parliament in Taiwan is already pro-unification, which makes it a real possibility. But I do agree with you that we need to pin our hopes on young people. We need to give them more guidance and I'm sure young people will come up with even better ideas than we have today for the future.

Q&A Session

Colum Murphy, China Government Reporter, Bloomberg: I'm just thinking

about this Taiwan issue, and I have a sense that there is going to be an “ask,” and don’t ask me where I’m getting this from, it’s just an impression. We can also see it right now in terms of Takaichi’s comments, whereby China is asking countries like France and the UK, other P5 nations, to offer some sort of word of support. Let’s just say there’s a possibility that there will be an ask. Are you saying that you don’t think that’s a good idea this point in time?

Peter Trubowitz: Be careful with the risk. The ask is not unsettled. If the US sanctions it, I think it could be very unsettling. I think things have changed domestically in the United States. The Republican Party has changed its position on this question, but I think any American president that were to go down this path would open themselves up politically, even Donald Trump. I don’t know what the outcome would be. Who does? But it’s a kind of political red line.

But I think American leaders need to be careful and recognise that the mainland has red lines as well. There has to be a recognition on both sides, and I think that was the case, but then it started to unravel. I don’t think it started with Pelosi’s visit, which didn’t help, but I think it started earlier. My sense is that things should be dialed back. There may be an ask, but in the end I don’t think it will be what Paris says; it’ll be what Washington says that will matter in the region. France is not a regional power in the Indo-Pacific and doesn’t have extensive commitments in the region. Where the US comes down on this question is what really matters.

What you’re suggesting, it sounds to me, is that China is going to make the ask that’s not going to start with the United States, but with other countries and build up momentum, which is possible.

Henry Huiyao Wang: Just to briefly comment on your question, I think China has made it very, very clear regarding the one-China principle, reacting very strongly to what the German Foreign Minister and the Japanese Prime Minister have said, because China has reached a new status. There’s also a new momentum for peaceful unification and considerable integration is taking place between mainland China and Taiwan.

That’s why I really like Peter’s analysis of the second strategy: that the US will focus more on its own sphere of influence in the Americas, while China will likely focus on its own territory, waters, and areas. This process could result in a new state of peaceful coexistence. Of course, it won’t happen overnight, but as you said, it will proceed step by step, gradually.

Journalist, Phoenix TV: Just a quick follow-up on the Taiwan issue. President Donald Trump just signed the Taiwan Assurance Implementation Act, and a lot of analysts think that this action will result in the loosening of US self-imposed restriction on non-official engagement with Taiwan. Do you think this Act is going to alter the situation of the Taiwan Strait? And also, do you think this move is more largely symbolic, or do you think this points to a more explicit or tougher policy direction of Trump’s administration on the Taiwan issue?

Peter Trubowitz: The short answer is, I'm not sure. I mean, Trump could have easily floated the Taiwan question himself, because there's nothing that was holding him back at his meeting with Xi Jinping. My sense is that he knows that it's a bridge too far right now.

I would say that this is at most an unsettled position in the administration, but I think the general direction of travel is that the US should approach this very, very carefully. One way to view the call with the Japanese leader is that the administration wanted to dial this back. There are two readouts from that call and I don't know which one is more accurate, but in some sense the Trump administration seems to want to have it both ways. To me, that's just kind of wanting the status quo and not trying to change it.

Journalist, Phoenix TV: Do you think this will increase the risk of miscalculation on the Taiwan Strait?

Peter Trubowitz: I'm not sure. I don't think any one single action is going to tip the balance. I think what will matter here is kind of where the centre of gravity is inside the Republican Party in Congress on this. To switch to a different kind of issue, but one that I think underscores the same point is Ukraine. Trump has found himself in trouble within his own party and when he has tried to push, there's been pushback. A lot of it has been quiet, but there's been enough pushback to try to limit and force him to find some space, some kind of arrangement where the Ukrainians could live with the deal. I think it's an acknowledgement of the constraints within his own coalition and I think that still exists on the Taiwan question as well.

Henry Huiyao Wang: This has been a really insightful discussion. I think Trump's foreign policy is still evolving, and with China's resilience and the new equilibrium that has been established, we may see changes, as Trump has mentioned, as well. I really agree with Rubio that we need to seek strategic stability and find a way to coexist peacefully, while also addressing the more challenging and complex global issues. In that sense, I think the US and China share a larger responsibility to truly make the world a better place. So, thank you, Peter, for taking the time to join us. We appreciate it very much.

Peter Trubowitz: It's been great to be here. I enjoyed it very much. Thanks to both of you for hosting me, and I hope I'll be able to host you in London at some point.

Henry Huiyao Wang: Great. You have such a unique position at the London School of Economics and Political Science. You're American, but you're heading a US center in the UK, but you're also a top expert on China. So you have the best of all worlds.

From Trump 1.0 to 2.0: Transitions and Analysis of China-US Relations

A Dialogue with Suisheng Zhao

Henry Huiyao Wang and Suisheng Zhao

With the start of a second Trump presidency, there were bound to be considerable changes in relations between China and the United States. Trump's transactional nature held the potential for less of a focus on ideology and a return to trade and business, but this ultimately descended into a trade war that has been at best unpredictable. The question of where China-US relations will go in the future remains a widely discussed topic.

In the following dialogue, Professor Suisheng Zhao and CCG President Henry Huiyao Wang explore the “prolonged crisis” in China-US Relations, from trade and commerce to regional and global geopolitics. Yang Huang, Senior Economist of the World Bank and Louis Liu, Founder & CEO of DAP Technologies joined the discussion during the Q&A session.



Henry Huiyao Wang in dialogue with Suisheng Zhao at CCG's Beijing office

Suisheng Zhao is a Professor and Director of the Center for China-US Cooperation at the Josef Korbel School of Global and Public Affairs, University of Denver. He is also a Research Associate at Harvard University's Fairbank Centre for Chinese Studies, and a member of the National Committee on US-China Relations. A Campbell National Fellow at the Hoover Institution of Stanford University, he is the founder and editor of the *Journal of Contemporary China*, a leading international publication on China studies, which has shaped many global opinions on China.

He is the author and editor of over two dozen books including *Power by Design: Constitution-Making in Nationalist China* (1995), *A Nation-State by Construction: Dynamics of Modern Chinese Nationalism* (2004), and his latest work, *The Dragon Roars Back: Transformational Leaders and Dynamics of Chinese Foreign Policy* (2023), which was named one of "Best of Books 2024" by *Foreign Affairs* magazine. He has also published over 100 English academic and policy papers in leading journals such as *The Washington Quarterly*, *The Wilson Quarterly*, *Political Science Quarterly*, *The China Quarterly*, and the *Journal of Contemporary China*.

He received his Ph.D. in political science from the University of California-San Diego, an M.A. in Sociology from the University of Missouri, and a BA and M.A. in economics from Peking University.

Henry Huiyao Wang: Professor Zhao is deeply involved in academia and stays attuned to developments in China. He has contributed greatly to building bridges and strengthening ties between the two countries.

Suisheng, I find it interesting that you mentioned Graham Allison. We've invited Graham to CCG many times and this February at the Munich Security Conference he made the same prediction that by February 2026 China-US relations would improve—a bet he also made publicly with the chief editor of *Foreign Affairs*, Daniel and several others, for a \$1,000. I have a slightly different view, because I think we're still waiting for a truly high-level summit between China and the US. During the last phone call between President Trump and President Xi, both agreed that a series of visits would take place. Who knows—after those visits, we might see some improvement in the relationship. But I agree with you that, in the long run, the competitive dynamic will persist.

For today's dialogue, I'd like to focus particularly on Trump 2.0. The first question I would like to ask you is this: With three and a half years remaining in President Trump's term, what do you see are the biggest areas for cooperation between China and the US? As you mentioned, since neither side can defeat the other, we might as well try our best to find areas where we can work together. What are the most promising areas where we can work together?

Suisheng Zhao: Before I answer this question, let me also pick up on the possibility of the meeting you mentioned. In fact, I think if there's a summit

between the Chinese leader and President Trump by the end of the year, there could be some significant change or improvement in the relationship.

In that context, I would urge China to make as much of an effort as it can to facilitate this meeting. Trump himself, I think, is very eager to meet the Chinese leader. A New York Times article said he is “obsessed” about having a phone call with China’s president. He’s even said several times himself that he had already made phone calls but did not happen. That showed he was so eager.

If there is a meeting, I think a lot of issues could be discussed in person. He is eager to show he is respected by the global leaders. If a meeting could happen, in that case, Allison could have a point. I think an opportunity for a meeting would be the September 3 Chinese military parade but I don’t know if he was invited.

Henry Huiyao Wang: My personal observation is that China is certainly open to welcoming world leaders for the September 3 parade for the 80th Anniversary of the Anti-Fascist Victory. We’ll have to see. Putin has confirmed he will come, and we have other leaders coming. But if President Trump can make it, that would be even better. It would create the possibility for a “Yalta-style” gathering, with the big heads of Europe, China, and America sitting together in Beijing for a summit on peace.

Suisheng Zhao: That would be a big win for China. In that case, I don’t know if Trump will want to give Beijing such a big win. Also, US domestic politics may not favour his visit.

In that case, I think another opportunity would be the APEC meeting in November in South Korea. I think that would be a very realistic opportunity. Also, China should use that opportunity not only in South Korea, but invite him to come to China for a state visit.

Henry Huiyao Wang: Yes, but there is one more option as well. If the September 3 event in Beijing doesn’t work out, there’s also the UN summit in mid-September, marking the 80th anniversary of the founding of the United Nations and the end of the Second World War. The UN could invite Chinese leaders for another summit to commemorate these milestones.

More importantly, I think China could help the US and Europe in bringing an end to the ongoing war between Russia and Ukraine. At the Munich Security Conference, I recall that the US Defense Secretary proposed sending peacekeeping forces to the “frozen” borders in the conflict zone, and that it had to be European and non-European troops. China, as the largest contributor of peacekeeping troops among the UN Security Council members, could have an important role. This could be an opportunity for China, along with India, Brazil, and other BRICS countries, to get involved in breaking the deadlock in the Russia-Ukraine war, especially since President Trump has become increasingly frustrated after six months of negotiations with Putin that have gone nowhere.

As Foreign Minister Wang Yi said, BRICS countries could be the best mediators and peacemakers in this situation. I think it’s possible that China, the

US, the EU, BRICS, Russia, and Ukraine could all come together, under the UN framework, to work toward a peaceful resolution. This could be an important area for China and the US to cooperate.

Suisheng Zhao: That would be a great opportunity. The issue here is that the Chinese President has not been at the UN often.

Henry Huiyao Wang: President Xi was there several times. He made a pledge to peak carbon emissions before 2030 and achieve carbon neutrality before 2060. That was President Xi's commitment made at the UN.

Suisheng Zhao: It's not that the Chinese leader is invited for the UN assembly; he's always invited for those meetings. It's whether he is willing and able to attend. So the ball is on the China side if he is going to go to the UN.

Henry Huiyao Wang: No, as you just said, it works vice versa. If Trump attends APEC in November and invites Chinese leaders to visit the US, the same thing could happen. The Chinese leader could go to the US, attend the UN summit, and the US could invite him for an official visit. Both sides need to work on this.

Suisheng Zhao: Exactly, the China side should approach the US proactively to see if they can invite the Chinese President.

Henry Huiyao Wang: I'm sure there are a lot of talks on those high-level visits because that was the target set during the last phone call between the two leaders—that they are going to have bilateral visits. President Trump invited President Xi to visit, and President Xi invited Trump to visit China. So, who comes first? There are two convenient occasions in September and one in November, so it could happen toward the end of the year.

Suisheng Zhao: If that happens, Allison, as we said, who made a prediction, could win that \$1,000. Then there's the question you asked was about what issues China can work on with the US on?

Henry Huiyao Wang: So, number one would be a peace deal. Rather than focusing solely on a trade deal, I think Trump places great importance on creating a peace deal. If China can work with the EU and the US on Russia to help achieve peace, that would be really something meaningful.

Suisheng Zhao: The problem on Ukraine is that, from America's perspective, China has never taken a neutral position on Russia. Although China has not directly supported Russia militarily, it has provided dual-use technologies and equipment, and to a great extent, morally supported. That's the problem.

Henry Huiyao Wang: Actually, I had the president of Mercator Institute for

China Studies (MERICS), a German think tank, visit us just last week, and he mentioned that many German and European companies are also supplying dual-use goods to Russia through other channels. The definition of “dual-use” itself can be quite broad—rice eaten by soldiers could be considered dual-use. The thing is, the war is getting nowhere, and Trump is frustrated and even threatening to get involved again. So I think now is probably the best time that we work together.

Suisheng Zhao: If China somehow reduces its support to Russia and works more with the US and the EU on this front, I think Trump would be grateful.

Henry Huiyao Wang: I also heard Trump say in a video message in Davos that he really welcomes China’s involvement in the Ukraine-Russia conflict and hopes China can help solve this. So the invitation is there. I think that perhaps, during the potential summit, this could be a good opportunity.

Suisheng Zhao: So China could take a ball on this. You said you were in Davos. In fact, he said in his social media he is willing to work with Chinese leaders. If China could help the US, the issue would be resolved. So he has high expectations.

Henry Huiyao Wang: He has expectations because the US and Europe are providing weapons to Ukraine. China does not provide any weapons to Russia. As ambassador Geng Shuang said, if China had really provided military supplies to Russia, the situation on the battleground would not have been where it is now. So, it’s not about who is supporting whom, but rather about how we can solve this. Having a new “Yalta” to solve the war could mean a great deal.

Suisheng Zhao: You talked of a new “Yalta”, which I think that’s a concept Trump could accept because he thought the big powers would have a meeting rather than competition, meaning that China, Russia and the US could work together to resolve conflicts, including Ukraine and the Middle East. For the US, I think this time they really want to move their strategic priority to the Asia Pacific, but they cannot get out of the Middle East because of the Israel-Hamas war, tension between Iran-Israel, and other conflicts.

Henry Huiyao Wang: Another question I’d like to ask is that peacemaking seems to be the biggest common denominator between China and the US—not just on Ukraine and Russia, but also in the Middle East, as you mentioned. The second point is that I agree with you about Trump being less ideological. Graham Allison found that since his election, Trump has publicly praised Chinese leaders 40 or 50 times and said many good things about China. He rarely made any bad comments about China.

If Trump is less ideological and doesn’t hold “democracy versus autocracy” summits or try to contain China geopolitically (he’s talking about leaving

AUKUS), that marks a significant change. However, he is now creating a trade war alliance, making new deals with Vietnam and Japan, all focused on building a tariff coalition against China.

Suisheng Zhao: I don't know about Japan. Now he is fighting with Japan, which will not compromise.

Henry Huiyao Wang: I understand. But, for example, the deal he made with Vietnam specifies that if goods are made in Vietnam, the tariff is 20%, but if they are just shipped through Vietnam, the tariff is 40%. Clearly, that policy is aimed at one specific country.

Suisheng Zhao: I think that's reasonable because China is shifting manufacturing offshore to Vietnam. That will be a problem for Vietnam and also for the United States.

Henry Huiyao Wang: Anyway, what I'm saying is that he is less geopolitical and less security-focused than his predecessor and more focused on economic issues.

But to the point—if Trump's focus is primarily economic, I don't think China is particularly concerned. China has become much more competitive and resilient, and is prepared for economic cooperation. For example, while Trump is raising tariffs on everyone, China is reducing tariffs to zero for 53 countries. The contrast is clear.

What I mean is that in the long term there won't be a "hot war" because of mutual military deterrence. There's really no option for a "hot war" even over Taiwan. That leaves peaceful competition in the economic arena as the only viable path forward.

Suisheng Zhao: I don't think that will happen at this time. He is launching a tariff war not only against China but all over the world. He's competing with everyone. Everyone has to buy in his deal and work bilaterally with the United States. In that context, his competition on the economic tariff front with China would be in a different environment. On the one hand, the US does not have the ability to build an alliance, geopolitical or trade alliance. It's very difficult for the US to go against China, because he offends other countries, including those around China. On the other hand, he is very tough on every country, including China. So, he would want to make sure in his mind, that China would not take advantage of the United States and create a fair environment. That's his mind. In that case, I don't think China would accept a lot of his terms. It's a very tough deal.

Henry Huiyao Wang: You're right. I think Trump is less focused on security or military issues and has shifted more toward economic competition. His tariff wars really focus on the economy, which I think is probably stimulated by China.

Because, unlike Biden's security alliances like AUKUS, the Quad, and Camp David agreements, China was pushing RCEP, BRI, CPTPP and China-Africa, China-Middle East, China-Latin America, China-Africa economic alliances. So, Trump is starting to learn from China and building up economic alliances through the trade war. But again, the US accounts for only about 13% of global trade. China is now the largest trading nation in the world.

Suisheng Zhao: That's a big concern now in the US among a lot of economists and scholars, that America is isolating itself. The world is moving forward with international globalisation and regional integration without the United States. In that context, Trump is destroying the American economy, American global status, and isolating the US. That would create opportunities for China.

You mentioned that even in his trade war and tech war, Trump's objective is to isolate China, but eventually it will go back against the United States. People talk about the US trying to reduce production chain and value chain dependence on China, but if he eliminated all those interdependencies, he would not have any leverage on China. If the US does not buy anything from China, how can he put pressure on China? And in the meantime, China has also used the opportunity to develop its own technology, innovative products. So that hurts America. That's a concern for a lot of people in America.

Henry Huiyao Wang: So, what I think now is that since we have Mutual Assured Destruction (MAD) and strategic deterrence on both sides, a hot war is no longer an option. But economic competition is really geared up. What Trump did and China's defense shows that China is prepared.

I think the next phase of competition will be in areas like the green transition and AI. We had Jason Huang in Beijing over the past two days, and he said China has 50% of the world's AI talent. Also, if we look at history, when the UK led globalisation, it was steam power; when the US led, it was electricity, computers, and the digital economy. Now, as China plays a larger role in globalisation, it's about green energy and AI. So, we have a different phase of competition and public dominance.

But what I'm asking is can the US and China, including the EU, peacefully coexist and avoid war?

Suisheng Zhao: It should be peaceful. Of course, as you said, hot war is not possible because nuclear powers cannot fight; that would destroy the world. So, the competition now is primarily, especially during Trump 2.0, on the economic front.

Trump's policy is basically learned from China's form of state capitalism. Even Joe Biden already started adopting state capitalism using state subsidies and industrial policy to protect the domestic market against globalisation. China has benefitted tremendously from globalisation, but China also had its own industrial policy and model of state capitalism. The US criticised China for this for a long time, but now the US is learning from China.

I don't know how good the US will learn from China, but it could be successful. China succeeded by using state capitalism and industrial policy. In the 21st century and the new technology age with AI, could this industrial policy and protectionism really help the American economy? I'm not quite sure. That could isolate the United States and eventually delay the progress, even in technological innovation, competition, AI and many other fronts. It is really something very uncertain for the US.

Henry Huiyao Wang: I agree that the US has been stimulated by China's practices and is probably adopting more state capitalism. But China is actually quite unique and has lasted 47 years since opening up and is supported by three pillars: the private sector 60%, another 20% SOE that does all the dirty jobs, and then another 20% multinational employees, where 40 million people generate one third of China's export in business. This kind of trilateral hybrid economy is second to none in the world. So, China must have done something right. Of course, embracing globalisation is another thing. It lifted 800 million people out of poverty.

But now I'd like to press the other thing we talked about, because Mutual Assured Destruction is preventing a hot war, but then the issue of Taiwan is a hot spot. How do you see the prospects for peaceful cooperation between China and the US in the Pacific, and is there a way to address the Taiwan issue peacefully as well? What are your thoughts on this issue?

Suisheng Zhao: The Taiwan issue is the most dangerous issue. When I give talks in the US, the questions from the audience are mostly about Taiwan. Everybody is concerned about China using force to cross the Taiwan Strait and what America will do if that happens.

My sense here is that it's very dangerous for sure, but could be less dangerous. Here, it became dangerous because the status quo has changed in the last decade or so. The US Taiwan policy is a so-called "One-China Policy," which talks about there is only one China. But neither side of the Taiwan Strait could unilaterally change the status quo or use force to change the status quo.

The US supports peaceful resolution, not peaceful unification. So, that's very two different terms. If both sides agree on unification, that's fine, but be peaceful. In this process, the US has been very clear that neither side should change the status quo. For many years, China has emphasized "peaceful unification" and played a long game to achieve peaceful unification through "strategic patience." That's how the US has seen China's policy.

But it's a three-party game. Taiwan, for many years, also agreed that there was one China, but pro-independence forces that appeared in the 1990s have changed Taiwan's status quo, but the US has never criticized these forces. But the US itself has also changed its status quo policy because when Taiwan became, in the American mind, a democracy with elections, a lot of American politicians became very sympathetic to Taiwan, feeling they should support like-minded people. More and more American politicians try to show their sympathy for

Taiwan, which is reflected in the US policy to Taiwan. They increased official exchanges and increased arms sales to Taiwan, which is a change in the status quo.

I've said for many years that the US has a policy of strategic ambiguity toward Taiwan, meaning that they are involved, but won't say how they'd be involved. That's a double deterrence. On the one hand, they try to deter China, saying, don't do anything, and also deterring Taiwan from being proactive.

But this policy was changed by Joe Biden. He said in public to the media four times that the US treats Taiwan as a NATO ally. In other words, if there is a military conflict across the Taiwan Strait, the US would get involved. Also, he not only increased arms sales to Taiwan, but also he included arms aid to Taiwan through the Foreign Military Financing program, which is the law they used to help Ukraine. That crossed China's red line. But the US, in the meantime, blamed China for changing the status quo because they said China became less patient. China replied that they cannot let the Taiwan issue pass from generation to generation and increased military exercises and other activities in the Taiwan Strait, including blockades. America blames China for this.

The last point here is that Trump has now changed. Trump 2.0, I think, is different from traditional American politicians. He does not have any attachments to Taiwan. He treats Taiwan as a pawn. He could trade Taiwan like a good for anything he wants to get. He could sacrifice Taiwan for whatever he can get from China. He also thinks Taiwan took advantage of American generosity, including semiconductors, so he has a lot of problems with Taiwan.

Henry Huiyao Wang: I think, as you just mentioned, the US attachment to Taiwan is largely because they think Taiwan is a so-called democracy. But now, the narrative of democracy versus autocracy isn't as effective as it was during the Biden era, when he strongly promoted democracy. If you look at recent UN Security Council votes, Russia and the US sometimes vote together, while China and the EU vote together. In February, I was at the AI Summit in Paris, where China, the EU, Germany, France, and India voted for the AI declaration, while the UK and the US vetoed it. There's less and less of "China versus the West" or "the rest versus the West" and things have become more blurred.

Also, in Taiwan, as a matter of fact, support for the DPP and independence, seems to be waning. In the last election in January, 60% of voters voted for parties with a more pro-peaceful unification stance. They're the majority in the parliament. As you said, if Trump is less ideological, and he thinks Taiwan has stolen US chip technology. This may be a good opportunity for the Chinese mainland to accelerate the peaceful unification process.

For example, the Fujian Provincial People's Government announced last year that any Taiwanese coming to Fujian would receive free schooling, medical care, employment and social security benefits like locals. I hope that policy can be expanded to all China. There are two million Taiwanese working in the mainland, as well as half a million husbands and wives from either side of the Strait who are married. Before the DPP took power, six million mainland tourists visited

Taiwan annually, bringing Taiwan tourism revenue.

If the Chinese mainland wants to buy Taiwan out, I think 1.4 billion people can buy 23 million people out. Why do they want to get independence when China has even said there's no need for Taiwan to pay taxes to Beijing? If Trump's new attitude prevails, there may be an opportunity to peacefully buy Taiwan out of this. Of course, we will not tolerate any move toward independence or separation, but I think time is on the mainland's side. And then, unification will eventually come.

Ultimately, people may ask themselves: if the mainland offers financial benefits and integration, why choose the hardship and risks associated with independence? Peaceful unification could become an attractive option for many. Who would refuse if they're offered financial support? Why choose independence, which could mean hardship and the risk of war? If I'm getting along with the Great Federation of China, I don't pay taxes.

Suisheng Zhao: But do you think China has that much money to buy Taiwan off?

Henry Huiyao Wang: What I mean by China "buying out" Taiwan is to get five million Taiwanese working on the mainland – there's two million already.

Suisheng Zhao: Do we have jobs for them?

Henry Huiyao Wang: Yes, we do. We could also have 10 million mainlanders flood Taiwan, spending money in restaurants, hotels, and buying Taiwanese products. Taiwan already enjoys a large trade surplus with the mainland. So if that continues for a decade without foreign interference, I believe peaceful unification is going to happen.

Suisheng Zhao: China has used this type of using the economy to push for politics. It was never successful.

Henry Huiyao Wang: Taiwan is currently refusing to allow mainland tourists to visit. Lai Ching-te is even stricter now, treating China as a "foreign force." There is a lot of white terror happening now in Taiwan.

Suisheng Zhao: But Lai Ching-te is very popular in Taiwan. I was in Taipei last year in January for the election. I was an observer in an American delegation to observe Taiwan. At that time, Taiwan had a lot of confidence in Taiwan. After the election result came out, the US government sent some former officials. Joe Biden's government made sure Taiwan would not be provocative and Taiwan collaborated with the US well at that time.

Henry Huiyao Wang: But the thing is now that 60% didn't vote for the DPP.

Suisheng Zhao: That's the parliament, the Legislative Yuan.

Henry Huiyao Wang: That means the majority of Taiwanese voters don't want independence.

Suisheng Zhao: We can now look at it this month since they have a recount on July 26.

Henry Huiyao Wang: Regardless. My advice is that we use economic incentives. Let's make the carrot sweeter.

Suisheng Zhao: That's a very good and very interesting point. But I just don't know if that would work eventually. You'd have to put all that money and preferential policies to Taiwan for many years.

Henry Huiyao Wang: If the Fujian provincial government has already put policies in place to welcome the Taiwanese to come to work in Fujian, then why not the other 31 provinces?

Suisheng Zhao: But for me, I think it's a big, strategic geopolitical environment. For many years when I went to Taiwan, 60% or more people thought America will come to our rescue if there was a conflict. It's now changed.

Henry Huiyao Wang: Absolutely. Even for the Ukraine war, the US is now saying they wouldn't send any soldiers or give aid. You know, who is going to fight for Taiwan if something happens?

Suisheng Zhao: Since Trump came to office, 60% of Taiwanese people don't trust America and don't think they would come to Taiwan's aid.

Henry Huiyao Wang: So if that happens and America stops interfering, then they will really recognise a Greater China and it would allow a lot of activity to happen on both sides.

Suisheng Zhao: There's another polling number that shows a majority of Taiwanese people still don't want to be united with China, but 30% already thought we had no choice. China is stronger and the US will not come to our rescue.

Henry Huiyao Wang: I believe that it's possible. Look at neighbouring ASEAN countries—they have different ethnicities and economic systems, and the European Union has so many different countries, yet they all work together. China mainland and Taiwan are all from the same culture, language, heritage, relatives. Why can't they get together? So, I think that day will come.

Suisheng Zhao: That's what I believe, too—eventually. But how long that will be is the question.

Henry Huiyao Wang: No, I think as China gets stronger, a hot war is not possible.

Suisheng Zhao: I went to Taiwan for the first time in 1990 as a mainland scholar in the US. At that time, I thought Taiwan was so economically advanced, much more advanced than China. At that time, they had just begun to build their light rail system.

Henry Huiyao Wang: Now it's falling behind.

Suisheng Zhao: Exactly. That's the point there. In 1990, China was still far behind Taiwan. Now, Taiwan's economy is the size of a Chinese province. I still remember I talked to Michel Oksenberg before he passed away in 2020. He is a very strong believer in the unification, but for many years, he thought economically, these two sides have to be integrated, and the Chinese economy should be much stronger than Taiwan. Then his second thought was the political system. If these two sides could narrow that gap then it would be more possible.

Henry Huiyao Wang: I really think the world is becoming more tolerant of different systems. For example, within the BRICS bloc, you have India, the world's largest democracy, alongside Russia, China, and Middle Eastern kingdoms with royal families. The BRICS bloc is working well despite differences in governance systems. The world is no longer divided into "democracy versus autocracy"; it allows various governance models to flourish at the same time and compete peacefully.

Regardless of whether China's or Taiwan's model is good or not, let's compete peacefully and work toward the next mega trend. I think eventually, we would be recognizing each other legitimately. Like Deng Xiaoping said, it doesn't matter whether the cat is white or black.

Suisheng Zhao: This could happen under Trump.

Henry Huiyao Wang: Yes, that's right.

Suisheng Zhao: It's possible. So, as you said, so we should take advantage of these three and a half years.

Q&A Session

Zichen Wang: I spent the last year in the US, and I was told by some Americans who believe that President Donald Trump could be the only and perhaps the

last remaining hope for China to have a very different leader. For example, he has the power to make a lot of different policy choices regardless of what the national security and foreign policy establishment believes. And against the popular will, he can make foreign policy decisions like the one in Russia, which stands in contrast with what the US traditionally believes. He is apparently not an ideologue. He's not interested in colour revolutions or regime change abroad. And he is known to be very transactional. It's really unimaginable that the United States will have a similar leader in the next maybe four years, ten years or 20 years. So, from that perspective, President Trump, as tough as the challenge he presents to China in diplomacy, might really be a rare beast that China has to deal with. So, from that perspective, some say Beijing should jump at the opportunity to really deal with him, but I guess, at a level of risk-taking that's typically not usual in Beijing, I was wondering if you would agree with that.

Suisheng Zhao: I agree to a great extent because as one of his Chinese names alludes "Chuan Jianguo" means that Trump is building China.

Zichen Wang: And if you believe that to some extent, what would be your advice to Beijing?

Suisheng Zhao: I don't think I could give advice to Beijing. I can only tell you what's going on there. In the US now, the liberal media, those critical of Trump, are flooded with articles talking about whatever Trump has done is good for China. Stephen Young and other former ambassadors and diplomats, who know China well, have published articles saying that Trump's policies are good for China. This is a very strong discourse in the US when talking about Trump. He is not only a hawk and even Allison wrote his first article during the Davos conference titled "Is Trump a China Hawk?" And not only him, a lot of mainstream scholars and commentators have written that Trump is good for China. So, how could China deal with that? Could China take advantage of that? That's China's business.

Henry Huiyao Wang: Maybe I'll just add to Professor Zhao's comments. I think Trump has ushered in a new era. When he started the trade war with China during his first term, nobody would expect he would be the kind of president that would disrupt bilateral and multilateral relations so much, quitting the WHO and the Paris Agreement. The impact is still being felt today. And in his second term, this trend has only intensified.

So, I think, the US is shifting from a more political and geopolitical focus to a greater focus on geoeconomics and trade, gradually diluting the ideological divide. Then, it boils down to "Let's compete, make America great again, make China great again, make the world great again." So, let's compete peacefully. It may not be a bad thing to usher in a new era of economic competition. So, wait and see.

Yang Huang: I'm an economist by training. I want to ask a question about the driving force behind this bilateral relationship. You talked about how we are experiencing a long cycle in the bilateral relationship between China and the US I heard earlier from Justin Lin, an economist, who said that when the size of China's GDP doubles, this bilateral relationship will stabilize and then they can cooperate. I wonder, what's your view on that? What are the key ingredients or driving forces behind this bilateral relationship? Do you think this economic force is the only one, or are there other forces?

Suisheng Zhao: Indeed, if China could double its GDP, the relationship will be changed fundamentally. But I don't know if China could do that any time soon. Even if that happens, China's per capita GDP is still far behind the US. Although a lot of people in the US say China threat, China is already a developed country, but you go to many places in China, toilets are very different from America. If that happens, that could change. But I don't know when that would happen.

In the US now, the prevailing view is that China has not only peaked, but that China will slow down dramatically in the long run. China's demographic situation will get even worse and that by 2050—there are a lot of predictions—the Chinese population would be equal to the American population, at around 700 million people. If China's population decreases by a hundred million people and the US' rises dramatically, not only by immigration but also by natural birth, it will be in a much better position than China. If that's the case, I don't think the situation Justin Lin talked about will happen anytime soon.

Henry Huiyao Wang: That's why CCG is also pushing for China to welcome global talent.

Suisheng Zhao: Exactly. That's a good opportunity now because of Trump's immigration policy. It's the best time now. Three years from now, that will change.

Louis Liu: We do international trade and provide supply chain solutions for aviation. As we know, the US controls exports of CFM engines for the C919. On the other hand, China controls exports of rare earth to the US. What do you think about this trade war? Do you see it getting better or worse in the future? Also, regarding the Taiwan issue, most high-level chips are produced by TSMC in Taiwan. If the Taiwan issue gets worse, how can we ensure supplies of high-end chips and guarantee global economic security?

Suisheng Zhao: On the specific trade deal about the engines you mentioned, those parts versus rare earth, I think China and the US have already reached some kind of agreement. China has already relaxed rare earth exports to the United States and issued more licenses. The US has also already reopened the exports of those parts to China. I think those deals are really good. I think it will continue. If current negotiations continue, those issues could be resolved.

On the second question about the chips. They have invested in the US and have already built factories in Arizona and some other places to try to prevent that situation. But I don't know how successful that could be. For Trump, it's better if you just move all production to the United States, but I don't think that will happen. The US does not have that many skilled laborers and labor costs are so high. So that was still a problem for China, the US, and Taiwan.

The Future and Challenge of China-US Relations

A Dialogue with Edwin J. Feulner, Walter Lohman

Henry Huiyao Wang, Edwin J. Feulner, and Walter Lohman

The most consequential relationship in the world today, the balance of power between these two great nations will decide the future of global systems and global stability. In this constantly changing dynamic, it is important to regularly take the pulse of this relationship to provide a reference point comparing the past and present to assess whether we are going in the right direction or need to make changes.

In the following dialogue, Dr. Henry Huiyao Wang, President Edwin J. Feulner, Director Walter Lohman discuss a range of issues related to US-China relations, including regional politics, economics and trade, as well as security concerns on both sides of the Pacific.



Henry Huiyao Wang in dialogue with Edwin J. Feulner

Edwin J. Feulner is Founder and Former President of The Heritage Foundation. After serving as president from 1977 to 2013, Feulner served as president again for a brief period in 2017. Feulner was a member of the Advisory Board of the Public Diplomacy Collaborative at Harvard Kennedy School, former Director of the Sequoia Bank, the Council for National Policy, the Acton Institute, the Aequus Institute, to name just a few. Feulner was the author of nine books including *The American Spirit* (2012), *Getting America Right* (2006), *Leadership for America* (2000), *Intellectual Pilgrims* (1999), *The March of Freedom* (1998). He was the editor of *U.S.-Japan Mutual Security: The Next Twenty Years, China—The Turning Point*, and a contributor to 10 other books and numerous journals, reviews and magazines. Feulner also was publisher of Heritage's Policy Review magazine from 1977 until 2001. He was the co-founder and Chairman of the website Townhall.com. The Daily Telegraph (UK) named Feulner one of the 100 most influential conservatives in America in 2007 and 2010. The Intercollegiate Studies Institute (ISI) conferred upon Feulner the Charles Hoeflich Lifetime Achievement Award in April 2009. He holds multi degrees in English, business, MBA and later attended Georgetown University and the London School of Economics, and then earned a doctorate degree at the University of Edinburgh in 1981. He passed away on July 18, 2025.

Walter Lohman is Former Director at Asian Studies Center of The Heritage Foundation, he oversaw the think tank's oldest research center. Lohman joined Heritage in 2006 as Senior Research Fellow for Southeast Asia, Australia and New Zealand. Before joining Heritage, Lohman served as Senior Vice President and Executive Director of the US ASEAN Business Council for four years. The other part of Lohman's career has been spent as a Senate staff member. Lohman has a bachelor's degree in humanities from Virginia Wesleyan College and a master's degree in foreign affairs from the University of Virginia.

Henry Huiyao Wang: As we move into 2022, the world continues to fight this pandemic and we know that bilateral relations are at historical low. But we also know that this year is a midterm election. And it looks like the Democrats is not really making a lot of policy shifts on China or any major changes and then probably the Republic will come back, but then we'll be facing the next US presidential election. What does that mean for policy in China and the US? How can we continue this most important bilateral relationship? There are a lot of issues. How we can properly manage hotspots, but also maintain a good, frank and attractive dialogue and discussion. But also how we can shape up the new policy focus and the framework over the next two years before the next US presidential election. This is probably the most important framework in the history of mankind. I know Edwin has founded a brilliant think tank, the Heritage Foundation, which has played a historical role in the US and global history. CCG is also trying to do similar kinds of bridging work through communication and dialogue.

Heritage is a great think tank and Edwin founded it many years ago. You have experienced so many political ups and downs. Ed, maybe if you could share your past experiences and tell us where we're going. I remember last time in your office, we actually talked a bit about how can we cooperate on infrastructure? President Biden has a program called Build Back Better and the European has the European Gateway, so maybe China and the US can work on something.

Edwin J. Feulner: Thank you very much, Henry, it's a great pleasure for me to be a part of this discussion and particularly to see my longtime advisor, friend, and colleague, Governor Ambassador Branstad, with whom I'm working right now on a project in his home state of West Branch, Iowa at the Herbert Hoover Presidential Library, and we appreciate his leadership very much on that.

My first point, and I think everyone on the call is starting to realize this, is that the US-China relationship is not going to go back to the good old days of George W. Bush or Barack Obama. There's a new move in Washington, and it's not just right-wing conservatives like Tom Cotton. It's also mainstream liberal Democrats like Mark Warner from Virginia, who get together with Cotton, who says that we have to face a growing and challenging China in so many different areas. I would just point out that, and I'm one of the people going back 20-some years ago when I called together the heads of Brookings and American Enterprise Institute (AEI) and Center for Strategic and International Studies (CSIS), and we had a joint press conference saying that, yes, China should enter WTO and be given most favored nation status. And that China's done amazing things in those intervening several decades in terms of lifting up its own population. If China, in fact, is the second largest economy in the world, when is China going to give up the kind of built-in advantages that it designs for itself by remaining a developing country? The Republic of Korea doesn't do that anymore. But you get concessions in terms of tariffs, in terms of respect for intellectual property, et cetera, for being a developing country.

There's one real issue is when you talk about nuclear proliferation, what are you doing about the DPRK, which is very clearly your client state? And when you talk about what we are doing in terms of Quad, AUKUS, et cetera, what are you doing in terms of Belt and Road? So let's get real concrete. Let's get specific. Let's see if there are some of these issues that at least we can talk about and say we should both be doing something about the DPRK? Because we don't see China as being an effective force there. Frankly, and I've said this to my Chinese friends before, that if the DPRK is not controlled in terms of its nuclear capabilities. They fired another nuclear rocket toward the west coast of the United States yesterday and if that's not brought under some control, it's likely that South Korea, Japan, Taiwan, and other neighbors might start talking about how they need nuclear weapons too. That's not going to be helpful to China and it's not going to be helpful to the world. Maybe we can do something concretely and talk about how we can both work together in some of those very specific areas.

But again, it's not the good old days. And it's not just me as a Trump person

talking right now. AUKUS was not a Trump deal, it was a Biden deal. The new reaffirmation of the US-Japan two-to-two equal partners has just been reaffirmed within the last couple of days by Biden and by Tokyo. So this is not, again, right-wing conservatives. This is across the board in terms of the American perception of what's going on strategically with China. And I've not really gotten into specifics on intellectual property and things like that, where we still have fundamental differences. But that's enough of pointing out what some of the problems are. Let's see if we can come up with some solutions.

Henry Huiyao Wang: Thanks Ed, that was great. You talk about the Korea issue, and I know you've been at the Global Peace Forum and you visited South Korea not too long ago. So what do you think about the prospect of how can we get this unification process going? Or something that can be done on the Korean Peninsula? Shall we have three-party talks or four-party talks? What's your recommendation? How we can approach this hot issue here in the Korean Peninsula?

Edwin J. Feulner: Well, it seems to me the first thing that we ought to do is have, and it may be happening, but there doesn't seem to be any clear evidence of it, is a little bit stronger of a position from Beijing toward Pyongyang in terms of what is and is not acceptable behavior. It's very clear who's keeping Pyongyang's whole very existence, economy, and therefore its defense and military capability alive, and that's the PRC. That's a fundamental challenge. I don't know whether President Biden and President Xi are talking about this in their bilateral conversation, but I hope they would. But it seems to me that we need to figure out how we come together and talk about it so we can convince people to act constructively. Very specifically, Ambassador Branstad was front and center for four years on this, and he knows better than I what's going on behind the scenes. But as an outsider trying to look at it, I very much get the impression that China just lets them do what they want to do, and very much supports the whole economic system.

Henry Huiyao Wang: I think that we still have good opportunities, because we now have a digital economy. We have a world where trade has gone up so many times and there's so much intertwined. We have so many people-to-people exchanges, and the US and China have never been too pillars of the world in terms of engines of growth. Of course, there is more friction now, but still the US and China have made so much progress in the last half a century starting with the Nixon visit to China 50 years ago. The world is more stable and prosperous because of these exchanges. The trade between the two sides has gone up many times, as have student exchanges—China has 400,000 students studying in the United States, and we hope more US students can come to China. We also see a fast track for Covid-19 being pushed by the US now, which the US American Chamber of Commerce announced was actually pursued by President Xi and President Biden during the summit. So, I'm still glass-half-full; I still see

opportunities.

I mean, as think tanks, we need frequent and frank talks, and we would love to facilitate that. Recently, we've been talking to Adam Posen, the President of the Peterson Institute, and to the President of CSIS. We've also reached out to the President of the RAND Corporation. We do have some dialogue with them, but we'd love to really have more dialogue with The Heritage Foundation, and particularly with your center Walter. It's not a problem if we have differences and we can help to let our leaders really know what you're really thinking, rather than seeing everything on the news every morning. We would love to hear your real views, so if you have anything to add on this we'd love to hear it. We know that you came to China right after Trump took over. I met you in the Philippines. We'd love to have this kind of dialogue with you more often.

Edwin J. Feulner: Henry, I want to emphasize the desirability of continuing that as intensively as we possibly can. I think that this has been a very constructive discussion. Just to be very candid and to talk through both what the challenges are, but also a challenge is an opportunity. So, let's add and multiply, not subtract and divide.

Henry Huiyao Wang: For the last year, I've had dialogues with so many prominent figures from the US. I talked to Joseph Nye, Graham Allison, and John Thornton, Adam Posen, and also the heads of CSIS and RAND. There are two consensus that we seem to find. The first is they don't want to have a Cold War. Nobody really favors Cold War. Second, they don't really also want decoupling.

China has a lot of domestic need to build up its image after the humiliation of recent history and the call for rejuvenation of the country after 100–200 years of falling behind. So there's a lot of domestic audience for this. This is important to understand, because China, after all, has to manage 1.4 billion people. Never before in the history of mankind has a country had to manage such a big country with such complex issues. So there's a reason probably for them to do that.

But I think China probably has some problems too. There isn't enough narrative and a good framework to explain it. They rely on old ideologies and methodologies to do that. The democracy forums are a good example. I've heard a number of American experts talking about democracy. President Biden called it democracy forum; so did China. At least China recognizes democracy as a good concept. But let's compare performance and KPI. China, for example, has built the 2/3 of the world's high-speed railways, equal to the next 10 countries combined. Whereas the US military budget is equal to the next 10 countries combined.

I'm very actually touched and really moved by what President Biden said when he withdrew the troops from Afghanistan. And he basically said, from now on, the US will not seek nation building anymore. That's a great message. They don't seek convergence and recognize that they cannot impose their model on other countries. But can we really peacefully coexist? I think now, China is only responding in large part to actions by the US.

For example, the US has already put 600 Chinese companies on its entity list. China has put none. China's Ministry of Commerce has created an entity law, but they never really implemented it. So that's number one.

Number two, China has joined CPTPP, which was designed by the US. It's all US standards, US criteria, which China says it recognizes and wants to reach. We want to reform SOEs. We want to tighten IPR protection. The Minister of Commerce put the CPTPP agreement on its official website, telling people that this is the target to shoot for, saying we should get closer to US standards.

China also said it is willing to cooperate with the US on the Build Back Better. President Xi also said to President Biden, China's Belt and Road Initiative is open to anyone. China has also set up Asian Infrastructure Investment Bank. Can AIIB work with World Bank? Robert Zoellick said the World Bank has a lot of experience doing infrastructure and maybe we could work together, including the AfDB and other international development agencies.

We've also been talking to a number of US officials, including former officials like Susan Thornton and John Thornton, who are saying the US and China are missing a huge opportunity to work together on the pandemic. We should actually fight the pandemic before the world becomes a mess right in front of us.

I'd also like to argue that China is busy building up economic alliances, with the RCEP going into effect last week on January 1st. China also has a free trade agreement now with Japan, South Korea, Australia, and other Western countries through RCEP. China is also willing to join CPTPP and is currently applying to sign up for the digital agreement proposed by New Zealand and Singapore. China is busy setting up economic alliance with Africa too, while the US is busy with AUKUS and the Quad. In the case of Taiwan, the US has sent a number of officials there already and President Tsai has recognized there's military personnel in Taiwan, but the bottom line in the three communiqués had always been no official contact, no military presence in Taiwan. Even on the issue of Hong Kong, I can assure you Hong Kong will be prosperous. All the multinationals are coming back. The stock market is coming back. There's no more chaos. Maybe there are some human rights issues, but for 90% of people, Hong Kong will be fine.

If Hong Kong becomes stable, President Tsai will have no second term, because that would mean the same crisis as in Hong Kong. The KMT has almost swept the midterm elections, because there's so much economic activity between mainland China and Taiwan. I think if Hong Kong is stable, the pressure for Taiwanese independence will less. China could really work with Taiwan with millions of tourists and students. Taiwan's still enjoying a huge surplus of trade with mainland. I'm sure economic integration will happen someday.

On the issue of Xinjiang, saying that there is genocide is not true. John Fountain personally visited Xinjiang and many embassies have sent representatives there. European countries never said there was genocide. I understand that when Blinken went to testify, he had to say that in order to pass his Senate hearing, but it was not true. It was not here. There's a problem in Xinjiang, of course, but not to the degree of genocide.

On all those issues, China is merely responding and is not really being provocative toward the US. China's still sending hundreds of thousands of students to the United States. We just see the recent survey of US Science Commission. 80% of Chinese PhD graduates remain in the US, which means China is supplying talent for the US. So how can we bridge this understanding gap and work together?

Walter Lohman: You were asking earlier, Henry, about the value of what we can accomplish together as sort of second track discussions, but I think just sharing perspectives has a lot of value. And I think we would be probably stretching things to do more than that, but we don't need to because there's an enormous amount of value in us talking and hearing one another's perspective.

One of the greatest frustrations I've always had about these exchanges, in addition to never talking about Chinese politics, which looks like we will finish this meeting having not accomplished that either, is that I sincerely do not think that most of our interlocutors in China understand American politics or the United States.

You study it deeply and I respect that. And you have some scholars that understand niches of it very well, but I don't think you understand the overall dynamic. And unfortunately, I think you have people telling you what you want to hear on that dynamic and not explaining to you how it really is.

That is going to eventually contribute to conflict because the Chinese side is going to misunderstand the situation in the United States, its resiliency, its resolve, its strengths. And you're going to do something that is going to cause a problem. Even my expressing this right now is a typical American way of issuing a warning. It's soft peddling it. It's a way of saying something, being polite and underplaying it.

I don't think the Chinese side understands that very well, including the way we express ourselves and the way our system creates outcomes and conclusions, because it's chaotic. And it's chaotic from our perspective too, but of course we're American, so we understand better where it's headed.

This is long way of saying that I think there is a lot of value in us just talking and trying to help one another understand where the weaknesses, strengths, red lines, et cetera, are in the relationship.

Henry Huiyao Wang: I could just briefly answer your question about Chinese politics and what you have mentioned about President Xi. We're approaching the 20th Party's Congress and we can be assured that President Xi will have another term. So, over the next five years, we won't have a lame duck with one five-year plan after another, which ensures continuity. That's the effectiveness of China and where its efficiency comes from, because there's a chain of command.

But as I said at the Chinese Democracy Forum, China is a meritocracy with 10 million people taking the civil service exam, which is a process of selection and election. These days, the top leaders read analyses and think tank reports every day. It's not like the old days when with an autocratic emperor; if you make bad

decisions, you get voted out by the people, no. So on the other hand, we see what happened at Capitol Hill on January 6th, which shows the ineffectiveness of Western democracy. It's going to be difficult to convince China that's how to do it. So I think it's great that President Biden said we shouldn't try to change each other.

However, China agrees with the US proposal at the G7 for an international corporate minimum tax. China gladly joined that, because the 1% of Wall Street are getting richer and richer. US multinationals operate worldwide and then their money is in tax havens. They are not putting money back into the Rust Belt and Western states. I was talking to Martin Wolf of the Financial Times, he said business is global, but politics is local. If US companies are not benefiting local constituents, bashing China is a way that they can get elected to Congress. So, there are domestic problems in the US too. China has managed to eliminate extreme poverty, bringing 800 million people out of the poverty in the last four decades. There are both problems on both sides, but let's leave it our think tanks to figure out.

Walter Lohman: Speaking of think tanks, I think some of your talking points there are for the dialogue you have with the Center for American Progress. We don't like the international minimum tax and we have no problem with people getting rich. We're glad when people get rich.

Edwin J. Feulner: If you're going to talk about January 6th, I got to talk about what happened to the statues of the goddess of democracy in Hong Kong under one country, two systems. You know, there's a whole discussion for another hour sometime.

Walter Lohman: What we understand about China is a centrally directed profile image narrative that's spun out by state media. And so, you know, look at the Covid numbers, look at anything. They all paint a positive picture by design. What you see from the United States is thousands, hundreds of thousands of media outlets and people on Twitter and Facebook expressing their views, so of course it looks more chaotic. At least it gives varying perspectives and different kinds of evaluations of the situation because it's people making up their own minds. So you can't compare the two pictures. I can't believe the story of Global Times or People's Daily reports about China. It's a state-owned company. What else are they going to say, right?

Henry Huiyao Wang: But Walter, but also in this era of information and misinformation, sometimes you have to be coordinated, because there is so much fake news on social media today. In China we have WeChat and we read news from everywhere. We read all the foreign news too, even though the official news may not say it. Everybody can be on a VPN and read news from outside China. It's not that isolated. In terms of Covid, it's true that China has only seen 5,000 deaths. And then you look at US with the most deaths. So people wonder if

something went wrong.

Walter Lohman: That's the best example of the Covid number. I will accept that the Chinese are doing well with Covid, but can they really be doing 30 to 50 times better than Singapore, which is an island? Or 50 times better than South Korea? The numbers are absurd. That's exactly what I mean. The numbers support the narrative. I'm open to the possibility China's doing very well on numbers, but it's not doing as well as those numbers suggest. It's impossible. Okay, but you don't have an open debate in China about whether the numbers are accurate or not, because the regime's constancy relies on those numbers being good, right?

Henry Huiyao Wang: OK, we're nearing the end, but we really want you and Ed and come back to visit us. CCG hosts roundtables all the time and then we'd be mingling. We don't really wear masks in our office when we have meetings. Restaurants are packed and Universal Studios just opened in Beijing, which is also packed.

Edwin J. Feulner: This has been very productive. I look forward to further discussions in the near future.

The Future of Great Power Relations: How Can the US and China Co-exist?

A Dialogue with Graham Allison

Henry Huiyao Wang, Graham Allison, and Leo Liu

2022 marks the 50th anniversary of President Richard Nixon's ground-breaking trip to China followed by the signing of the Shanghai Communiqué. However, 50 years on, this bilateral relationship continues to be fraught with tension. Recent breathtaking developments in Ukraine are making current strategic competition even more complex and has profound implications for the future of the international order. In such an extraordinary time, how can the future of great power relations be put into perspective? How will US-China relations move forward as important political developments continue to unfold in both countries? Taking a lesson from history, could it be possible to have another "ground-breaking" breakthrough between the world's two largest economies?

In the following dialogue, CCG President Dr. Henry Huiyao Wang and Professor Graham Allison discuss the history and foundations of US-China relations, the lessons to be learned and the potential for future improvements and stable relations.



Henry Huiyao Wang in dialogue with Graham Allison

Professor Allison is best known in China for his views on the “Thucydides’s Trap” in public debates on US-China competition. He is the Douglas Dillon Professor of Government at Harvard University. He was the founding Dean of Harvard Kennedy School, and until 2017, served as director of the Belfer Center for Science and International Affairs, which is ranked as the number one university-affiliated think tank in the world. Professor Allison has also served in key positions in the US government, including Assistant Secretary of Defense in Clinton Administration and as Special Advisor to Secretary of Defense under President Reagan. Professor Allison has written many best-selling books on international relations. His latest work is *Destined for War: Can America and China Escape Thucydides’s Trap?* (Houghton Mifflin Harcourt, 2017), a topical and important issue that we’re going to talk about today.

In this dialogue, Dr. Wang and Professor Allison touch on a variety of issues including their views on the meaning of the Shanghai Communiqué both historically and today, issues in the economic, political and trade relations between the US and China, insights in the roles of both countries in the current conflict in Ukraine as well as suggestions on potential areas in which the US and China can cooperate further to the benefit of both countries.

This dialogue was moderated by Leo Liu, an MPA candidate at Harvard Kennedy School.

The Legacy of Nixon’s China Visit

Leo Liu: This year is the 50th anniversary of Nixon’s visit to China. It was a watershed moment in history, which marked the beginning of the normalization of relations between the US and China after over 20 years of mutual hostility. In those 50 years, the Cold War has ended, the world economy has grown 21-fold from less than \$4 trillion to \$85 trillion in 2020. The US has helped China join the WTO, China has developed from an economically backward country to become the second largest economy in the world, and in the process lifted 800 million people out of poverty. Generally, the two countries have enjoyed a relatively peaceful relationship. As we commemorate this historical event, I would like to ask both Professor Allison and Dr. Wang, what was the significance of Nixon’s visit to China? How should we look at it today?

Graham Allison: For me, this is a pretty poignant month as the 50th anniversary, because I was a student, and remain a student and colleague now of Henry Kissinger, who actually had orchestrated this visit of Nixon to China 50 years ago this month. I’ve talked to him about it often after.

This was advertised by the Nixon administration as the week that shook the world. And they were recalling Napoleon’s Council in which he said, “let China sleep, because when it wakes, it will shake the world”. I would say Napoleon was correct, China has awakened, it has shaken, and the world is still shaking,

with more to come. And interestingly, in the final year of his life, as I described in my *Destined for War* book, Nixon came to have some second thoughts, just wondering, what had I done? And he said, was it possible that we have awakened Frankenstein's monster? Have we created something that's going to be bigger and perhaps even hostile to us? So he was thinking about that question, and I think that it's very appropriate in a setting like this to try to think back on the past 50 years, to note what remarkable things have happened over those years for the world's benefit, for China's benefit, for America's benefit, but also notice that was then and this is now.

Henry Huiyao Wang: I think that what Graham said is really a great reflection on this historical landmark event, which happened exactly 50 years ago, the impact of which is still being felt and has led to half-a-century of global normalization, globalization, and prosperity. In China, just last week, there was the big celebration of Shanghai Communiqué, which was issued 50 years ago. I think this is a really important and great event that will go down in history as creating stability and prosperity for the last half century. But I think the wisdom of Nixon and Kissinger half a century ago should probably be re-visited. Now, we have a crisis in Ukraine, and I hope that people can see that China, actually, for the last half a century, has very largely contributed to global stability and prosperity. It has become the second largest economy in the world, and the largest trading nation in the world. And I think there are many ways in which China and the US can continue the spirit of Shanghai Communiqué. It would be good to be in a bit more normal of a situation than we are currently in as we are facing quite a few challenges and difficulties now.

Leo Liu: I think many would say that Shanghai Communiqué was one of lasting legacies of Nixon's visits, which laid out some core principles for US-China engagement and touch on many issues, such as Taiwan, but also on Vietnam, India, Japan and the Korean Peninsula. Do you think that these are still relevant today?

Henry Huiyao Wang: I think that the principles are still highly relevant today. I mean, for example, the Shanghai Communiqué states that we should seek the peace and security of the Pacific region, and also Taiwan actually – both the US and China recognize that Taiwan is a part of China basically. Those are really key fundamental principles which were seeking to not interfere in or disrupt the region and the US and China have a great responsibility to ensure this. So I think the Shanghai Communiqué still is quite relevant today and has been the foundation for peace and security for the last half a century. I think that we have to continue some of these fundamental principles. But I think we can, of course, upgrade. We could have another Sino-US Communiqué based on the past three Communiqués. But still, I think we should really respect the Shanghai Communiqué, and the subsequent two Communiqués we already have between China and the US.

Graham Allison: I largely agree with the Dr. Wang. I think, the Shanghai Communiqué identified some fundamental foundations for the establishment of relations between the US and China. And they were largely a reiteration of the foundational concepts in the UN Charter that China continues repeating, but they deserve to be repeated. They are called sovereignty, independence, territorial integrity, and non-interference in internal affairs. These are principles that the UN Charter laid down, but they are also reflected in the Shanghai Communiqué. The biggest add in terms of the relationship between China and the US was the proposition that there's one China, that the parties on both sides of the strait agree on that proposition, and that ultimately, as we saw with normalization of relations, that Beijing is the capital of that China. I think the difficulty has been that as the decades have gone on, and the circumstances have changed in China, and the circumstances have changed in Taiwan, and the circumstances have changed to some extent in the US and the world. The Shanghai Communiqué needs to be substantially upgraded and revised and I would say that would be a great undertaking for a Biden and Xi administration going forward. I don't think it's simply enough to restate what the Shanghai Communiqué stated.

On “Cold War” Talk and Decoupling

Leo Liu: Many people in the West, including pundits and academics, have described the current state of the Sino-American relationship, as Professor Allison mentioned, as having changed to become something of the beginning of a new Cold War. While the Chinese media has generally refrained from such narratives and the Chinese government has actively rejected this so called Cold War mentality. Do you think that this new Cold War characterization is accurate?

Graham Allison: Well, the answer is complicated and is basically yes and no. But if I had to choose just one, I would say no. Let me explain briefly. Is the relationship between the US and China is a rivalry? Yes. It's a rivalry that's basically captured appropriately by Thucydides in his description of what happens in competition between two states when the seesaw of power on which they are sitting is rapidly shifting, so that initially I'm competing with you in which I look down on you or up on you, depending on where the seesaw is, but it's moving at the same time.

So, I think the Thucydidian rivalry I describe in the book is the best diagnosis of the problem that we face, so I take that to be the reality of the situation. But at the same time, the US and China live on a small planet, in which both have superpower nuclear arsenals, and in which both emit greenhouse gases into the same constrained biosphere and, therefore, in which either of them, by themselves, can ruin the world for both itself and the other. So, we're basically inseparable, conjoined Siamese twins, if you want a metaphor. And however hostile I may feel towards my competitor, however deserving he may be of being strangled, if I were to ever yield to this temptation and one strangled the other,

it would be committing suicide at the same time. You look at that and you say, I have a vital national interest in my survival, which requires my finding a way to coexist with you, even while at the same time I'm engaged in a fierce rivalry with you. I would say that's the description of our problem, and the reason why it's quite different from the Cold War. Because the idea that there might be a new economic iron curtain in which the US is on one side and everybody else will join the US, and China is on the other side, makes no sense, since China is a major trading partner of everybody and a backbone of the global economy. So, while there are some similarities between the competition, between US and China, similarities with what we experienced in the Cold War, the differences are also huge, in particular, the economic difference.

Henry Huiyao Wang: I agree with Graham. I think that we probably can't categorize this as a Cold War. Last year I had a dialogue with Graham when he also put forward his famous concept of inseparable, conjoined twins, which is really a great way to reflect the current reality. I noticed that the Prime Minister of Singapore used this phrase in the New Economy Forum just last November. I think it's true. When you say Cold War in terms of the Soviet Union with an eastern block of countries against western block countries, the economics, the people exchanges, tourism, student exchanges didn't exist. Now you have almost half a million Chinese students studying in the US. In terms of tourism, economics and trade volume, the world is totally connected. So even though there's some de-coupling on the tech side, this is actually hurting consumers, hurting business, and hurting the country. We have to see how partial de-coupling is going to survive. But ultimately we need to strengthen global governance, and perhaps the US and China, and maybe the EU, can find a way to work together and accept each other, which would make this world a much better place for the 7.9 billion people in it.

Leo Liu: Thank you, Dr. Wang. I want to follow up on both of your descriptions of US-China relations as inseparable, conjoined twins, since, as Dr. Wang has just mentioned, the countries have begun to decouple in some respects, like American companies pulling out of China in recent years. So, in your opinion, to what extent are the countries separable? And to what extent are they not?

Graham Allison: The term decoupling resonates, and when Trump began to talk about it, the press actually amplified it. But if you look at the reality, trade between the US and China is thicker now than it was before we started decoupling. In spite of the trade war, we're back to the level of trade that we had before the trade war. Part of reason for that is that Americans are consumers as well as China being the world's most successful producer of consumer goods. Where are iPhones assembled? China. Where do batteries for electronic vehicles come from? From China – or the elements are from China. We can go down the list. Basically, the economic relationship has continued to thicken, but at the same time there's been this pushback in certain areas with some items,

particularly advanced semiconductors, that the Trump administration denied China, which has had a big impact on some industries in China. This has forced China to develop the capacity to manufacture its own semiconductors for most of the categories, not just the most advanced.

So I think that we'll end up with efforts to decouple certain arenas or put a security fence around some items that have military or security applications, but those are very few. Then we'll have a lot of protectionism, which is what you can unfortunately see unleashed in a good part of Biden's "Build Back Better" program, but the effort to manufacture things in the US that China can actually manufacture at half the price or two thirds the price, will simply mean paying more for the equivalent items. So figuring out a way in which the comparative advantages of the US in goods and services we can produce can complement the comparative advantages of China, which include, essentially, dominance in manufacturing commodity products that happen to be the things that end up filling up Walmart, Target, and Home Depot, and finding a way then to deal with what's inevitably been a trade deficit. That's a challenging item and especially challenging in the politics of the two countries, especially for the US. In the security arena, for sure, China and US are conjoined Siamese twins, which, if they were ever to have a nuclear war, would destroy each other. Furthermore, in the climate space, unless they can find a way to constrain greenhouse gas emissions, they will both spoil the biosphere for everyone. And I think even the economic arena, there's some analog of that we have yet to kind of work our way through.

Henry Huiyao Wang: I think that Graham is correct. In many areas, you cannot really separate or decouple since some are really public and driven by geopolitical concerns on both sides. But if we work together, we can develop a win-win relationship. Take the two largest companies in the United States for example. 90% of Apple phones are made in China but designed and branded using technology provided by Apple. This is a success story of how China and the United States can work together and supply the rest of the world with products. Tesla has also almost become the largest company in the world because they have their largest clean vehicle manufacturing factory here in Shanghai. These are really good examples how we can work together. But again, we are having really difficult time, because the US administration has put hundreds of Chinese companies, close to 700 now, on some kind of entity or watch list. This is where it is really hurting us.

We just had a book launch about a week ago on how multinationals and international chambers of commerce view this. They felt that it was very unhelpful, particularly for multinationals. I often think about how the business community can help in this area. Recently, the Economist Intelligence Unit held an event where I spoke. The EIU reported that among 500 companies surveyed, most companies in Asia Pacific region will continue to invest and have a positive outlook on this region. China's import-export volume broke all records last year. So, despite there being forces trying to decouple, there are also larger positive

forces not to. I think that we have to be careful, because now with this political crisis, I think it's even more important to have a stable China, as well as stable supply and cooperation channels with the rest of the world, particularly the United States.

Infrastructure and Tech—Destined Rivals or Potential Partners?

Leo Liu: You've both mentioned competition as well as cooperation. I think technological competition has become one of the center pieces of US-Chinese engagement. But as Dr. Wang has just mentioned, when governments adopt protectionist policies, it is ultimately the consumers who will bear the cost. How can the US and China engage in the tech race without harming the consumers in both countries?

Graham Allison: Difficult questions. We just concluded a report of our China Working Group at Harvard, called The Great Technology Rivalry. This is one of five reports on The Great Rivalry, which tried to track the data on what's actually happened during the last 21 years in the 21st century in the rivalry between the US and China. The bottom line for each of these chapters, and in particular for the technology report, is that a country that the US could not even find in our review mirror 21 years ago, because it was so far behind, still can't be found because it's either beside us or slightly ahead of us. We look across the spectrum of technology, but then drill down on six frontier technologies, 5G, AI, quantum, synthetic biology, etc. and you can view the entire report on the Belfer website. It's about 60 pages with a lot of footnotes and data. Basically, what it shows is that China has made huge leaps forward in becoming a serious rival in almost every technological arena. 5G is a particularly difficult and painful one for me, and I wrote a piece about it in The Wall Street Journal with Eric Schmidt a couple of weeks ago. A short version of the story is that 3G was dominated by Europe; the US rolled out 4G and created an environment in which it was possible for people to invent things which we now think of as mobile smartphones, social media, Google Maps, Uber and lots of things that nobody could have been imagined before in the world of 3G. The US advertises 5G—you can't watch the football playoff games or anything else without being inundated—but it's actually fake and the title of our article was "America's 5G deserves Five Fs". We did a comparison with China and concluded that if you bought an Apple smartphone that's 5G enabled, the only reason it would be valuable to have in most of the US would be if you were going to go to the Olympics in Beijing, where you would be able to downstream at five times 4G speeds, while in the US, 5G is as fast or sometimes even slower than 4G. This is a case where China is blameless and is doing it successfully. I blame for the US for not running faster and finding a way to do it sooner, so that's the struggle.

Competition is, at least in economics, a good thing. Competition in Olympics and athletics is a good thing. I run faster if I'm running against a competitor

than I do when I'm running alone. So how do we then recognize the win-win component of constructive competition, and nonetheless, at the same time, recognize that at the end of the day, the party that wins the race, for example in 5G, will have advantages economically and in security terms, in their rivalry with their competitor. So we're back to this contradiction again. On the one hand, competition can be constructive and positive and have benefits, but at the same time, in a geopolitical rivalry where I would rather the rules for the Internet be written by the US, and my Chinese colleague might prefer them to be written by China reflects the competitive side of it. I think we will have to be smart enough to hold these two contradictory impulses in our heads and in our guts at the same time and still function.

Henry Huiyao Wang: I agree very much with what Graham has just said. I think this Olympic spirit and athletic competition is healthy. Absolutely, if you run with someone else, it probably helps you to run faster. This is a healthy competition. But we really want to avoid unhealthy competition. Graham mentioned 5G and I think China was probably, in some cases, competing with the US and the EU. Currently, China has 4.6 million 4G stations and 1.4 million 5G stations. Every village now is Wi-Fi connected, which has really helped improve the efficiency and effectiveness of production and manufacturing and even the running of society in general in China. I think infrastructure is really a great thing and I noticed that Graham's latest report on technology also mentioned infrastructure, noting that China's high-speed railway makes up two thirds of the global total length, which is enormous.

Graham Allison: The US has zero. We have zero.

Henry Huiyao Wang: I recall that President Biden actually proposed an infrastructure package worth \$1.2 trillion, "B3W – Build Back Better World" while the EU also proposed investing €300 billion on infrastructure. China also has also had an infrastructure plan for the last eight years promoting "Belt and Road" connectivity. Maybe, based on the idea of common prosperity, we can work together with the US and EU on infrastructure and become more deeply intertwined and avoid future conflict. I talked at length with Larry Summers about a month ago and he was thinking about how the World Bank should be reinvigorated, and how the ADB, AIIB and other development banks should really work together. The world badly needs another infrastructure revolution. We need to find a common ground to work with each other.

Graham Allison: If I can make one half-frivolous comment. I'm enamored of China's prowess in constructing infrastructure, and I'm appalled by American efforts. And if you want to get a vivid example of this, look at my TED talk from 2017, in which I compare how long it took to renovate the Harvard Bridge between the Kennedy School and the Business School across the river on the one hand, and Sanyuan Bridge in Beijing, which has twice the number of

lanes of traffic. You won't believe the answer, but I've got a timestamp video of the Chinese construction project. Just guess long it took before the traffic was flowing, as compared to the Harvard one? Just for fun. Secondly, when President Xi came to visit Donald Trump for his first visit, in Mar-a-Lago, I made a proposal, first to the Chinese, who didn't seem to like the idea, and then to Trump's crowd, who didn't like the idea either. So finally, I decided to make it publicly, so I wrote a Time magazine piece about it. I said that in the Chinese tradition, when the leaders come to visit, they bring presents, but often, when they go to an African country, for example, they will build a soccer stadium or something, as a significant sign of appreciation. I said Donald Trump was very keen about having a wall that would prevent illegal immigration from Mexico, so my proposal was that Xi would say to Trump that China likes walls and actually has a long history with walls. He'd say that "We're very proud of one, we call it the Great Wall. If you would like, we can construct a Great Wall for you along the border with Mexico." I said, if they did that, he would have Donald Trump as his closest friend.

Leo Liu: That's a great anecdote, it's also a great segway to my next question, which is on infrastructure. Both the US and China are pursuing infrastructure development, for the Biden administration it's Build Back Better, for China, it's to continue to develop infrastructure domestically, but also try to export it worldwide through its Belt and Road Initiative. Do you think that the US and China have opportunities to collaborate on infrastructure development?

Henry Huiyao Wang: Absolutely. I think that Graham's anecdote really exemplifies the need. I think that complementary methods can be explored. I was speaking at the Council of Foreign Relations a few years back, and I was saying that the cost to ship oil in Texas located inland to the port is double the cost of shipping it from the US to China. Why? Because there is no infrastructure inland. Michael Pillsbury was at the meeting and he actually went back and verified that. It was true, because there's no infrastructure in inland Texas that can take advantage of this major energy export. I think that it's important that we have infrastructure and as Graham said, there's zero high-speed rail in the US. Maybe we could help to build a line from San Francisco to Los Angeles, or Las Vegas to LA. This is true for airports too. We could start by helping the US develop infrastructure for exports to China like the example I mentioned in Texas. We also have Chinese companies doing some subway projects in Boston and in Los Angeles. But I also see big potential to cooperate with US companies in third-party countries – in developed countries where the US has advantages, such as familiarity with the religion and language and laws of those places. Meanwhile, China has the capacity it's built up in the last several decades in big mega projects. I think they can really work together for both each other and for the world. But the question is how do we govern this? The World Bank is chaired by the US, the Asian Development Bank is chaired by Japan and the AIIB is chaired by China. Maybe development banks should start first since AIIB has also

been joined by many European countries, and it may be a good vehicle to start working on infrastructure.

Graham Allison: I think part of the problem is that there are probably seven reasons why American infrastructure projects have been so slow and unsuccessful, which would make doing them in a cooperative or joint way with China is not necessarily easier or better. When I look at the effort to build a high-speed rail, there was a project that was supposed to go from Los Angeles to Sacramento. Starting out it was going to be finished in five years and cost \$40 billion or \$50 billion. It's now 15 or 17 years later and they're not saying when it's going to be finished, if ever. The budget is now \$110 billion, and it hasn't been completed. Now, we can take a long analysis of all the things that are wrong with it, but if I try that pick up on Henry's point, there may be a silver lining. Elon Musk thinks he can do virtually anything. He's got one of these crazy ideas of boring holes underground through which you would run either cars or trains. I don't know whether it makes any sense or not, but I can imagine him having a company with both a Chinese and an American component and then drilling a hole from Los Angeles to Sacramento. I think the idea of having some businesspeople in the mix – they're more pragmatic than the governments – and then if it doesn't work, it doesn't work. But I think it's going to be a difficult area, because it's an area in which American performance has been poor.

Collaboration on Global Issues Despite Geopolitical Friction

Leo Liu: Over the past week, the whole world's attention has been fixated on Ukraine, and as Russia invaded, the United States, as well as most of the European nations, have joined to condemn Putin for this act of war. But China has generally maintained its neutrality on this issue. So what do you think are the implications that this Russia-Ukraine conflict might have on US-China and Russia-China relations?

Graham Allison: I've written two pieces in the last two weeks about this, they were both published in *The National Interest*. The most recent one was last week, in which I raised the question of whether will China have Putin's back in this invasion? And I said, my prediction is that the answer is yes. The previous piece, a couple of weeks ago, said, Washington was saying Putin's invasion was imminent and was going to happen tomorrow. Biden told the leaders of Europe that it was going to be on Wednesday, but I said there was going to be no invasion of Ukraine before February 20. I was taking four to one bets and I'm going to be in Washington tomorrow collecting some of my bets. Even though it defies geopolitical gravity, since in principle, if you were just a Martian analyst, you would say China and Russia have many more reasons to be adversarial than to be allied. They have a lot of territory that used to be called China that's now called Russia, including a port that the Russians called Vladivostok, but

on Chinese maps still has the Chinese name. They have a huge area in Siberia that has no people and is full of resources, while on the other side of a border, you have hundreds of millions of people and no oil and gas or other resources. You go through this list and you say, how can two states in the world that should naturally be antagonistic be as operationally aligned as they are?

I'd said there are two big factors. First is China's brilliant diplomacy, especially Xi's. Who is the first person Xi visited when he became President? Putin. Whom did he spend his birthday with? Putin. Who was the first person that pops up at every Chinese meeting after Xi? Putin. Who was the first person he met with in person for two years, a foreign leader, there at the summit, at the beginning of the Olympics on February 4th? Putin. So Xi has done a great job of that.

And secondly, the US has, in targeting both China and Russia as adversaries, and trying to isolate the two of them, has missed the fact that the enemy of my enemy is a friend. That's geopolitics 101. We've been pushing China and Russia closer together, which is just the opposite of the trilateral diplomacy that we're remembering during the current 50th anniversary and it seems Xi has learned the lesson better than Americans have. So I would say that as we watch what's now happening, China is stressed, because what Russia is doing blatantly contradicts China's fundamental principles for international relations. China not only says this, but I think the Chinese government believes in the foundations of the UN Charter, including sovereignty and territorial integrity. No one can deny that Russia's invasion, coming on the heels of it previously seizing Crimea, is inconsistent with territorial integrity. So that's made the job of China's Foreign Ministry very difficult. You can see them been trying to figure out some paths here, but at the same time, I argue in this piece that given China's interests, where it has to make hard choices, it will have Putin's back. So far, I think that's what we are observing.

One last point, I was interested that yesterday, Wang Yi, the Foreign Minister, had a conversation with the Ukrainian foreign minister, in which, according to the Foreign Ministry's account of the conversation, he said China was eager to play a role in helping to negotiate a cease-fire now and a resolution of these issues in which Ukraine would be a neutral state. So I think it's likely that we'll see more activities from China trying to play a role as a peace maker in this space, because it'll soften the fact that at the same time it's protecting Putin's back, including in the vote today in the UN, in which it abstained, rather than criticizing Russia for invading Ukraine.

Henry Huiyao Wang: I think Graham has certainly made a case. I think historically, China and Russia have had a lot of difficulties and Russia has taken big chunk of Chinese territory, in the historical sense. But I remember in the late 1960s, war almost broke out with the former Soviet Union. So the relationship has really had its ups and downs.

But I think in recent years, the relationship has improved a lot. I think that's probably also reflecting what Graham just said, that they were actually pushed,

probably by US and by Western countries, to get closer because they share some kind of empathy to each other and because of sanctions and other measures. But I think China is actually quite different from Russia.

You remember last October when President Biden had a virtual summit with President Xi, it was really encouraging with new language being used like the idea that the US is not seeking to change China and does not want to set up alliance against China. But the moment Biden went back to Washington, they said the US would boycott the Beijing Olympics. It was a really big shock that surprised the Chinese government and its people. But then Putin came out and said, okay, I'm going to come to the Beijing Olympics, I'm going to support Beijing and I'm going to come in a big way. So, that's when he came and then you have the joint statement. But I think there was some misunderstanding of that statement. It should not have been interpreted as some kind of alliance. China does not seek alliance with any countries, and it was not a military alliance. It just broadly laid out some of their views of the world, global governance and how they can cooperate. I think the statement was a bit overread.

But, again, as Graham said, Foreign Minister Wang Yi just had a telephone call with the Foreign Minister of Ukraine in which China stated very clearly that Ukraine's sovereignty should be respected, which is what Mr. Wang Yi also said at the Munich Security Conference. So, I think, absolutely, it would be great if China could do something. If you're looking for a country that has both good relations with Ukraine and Russia, you probably wouldn't find another influential country that would be in that position. China could use its position because it also has a vital interest with European countries. What's more, Ukraine is a signatory to the Belt and Road Initiative. China also has the "16+1" initiative, through which China-EU continental rail and rail cargo actually has grown 50% in terms of China and European continental train shipments. So there's vital interest for China to ensure security and prosperity in Europe as well. China is Europe's largest trading partner as well. So again, I think it would be great if China is invited to the table so it can use its good will to make sure this conflict does not escalate. I'm sure China can play a greater role there.

Leo Liu: I think the Ukrainian crisis has certainly shown us that, even though both US and China are third parties, they can't really avoid each other in a globalized world. There are many other global issues, such as climate change, pandemics and nuclear nonproliferation, that require collaboration from both countries. Can the two countries find ways to collaborate in spite of substantial differences?

Graham Allison: I would say survival is a very powerful, sturdy imperative. Nations rarely are leaders and sane leaders of nations rarely commit suicide for their country. Maybe we can probably find some examples, but it's a very, very, very rare. So, if the sane leaders of China and the US, and we have quite sane leaders in both Biden and Xi, look at the world and say, what would happen if there should be a nuclear war between the two of us. They quickly get to the right

conclusion: bad idea.

If they look at the climate challenge over the long run, they can see that either party by itself, on their current trajectory, could emit so much greenhouse gas that the whole biosphere would become unlivable for everybody. So bad idea. The pandemic is interesting, though the prospect of having impermeable walls around the country to prevent 100% of the penetration by viruses is a losing battle. The Chinese strategy of trying to find cases when they occur and limit their spread, actually turned out to have been more successful than the American strategy – but it still is not a zero world. Viruses and bacteria will get through borders. So again, there is shared interest in trying to prevent that, or finding ways to deal with it.

In nuclear proliferation, we're seeing this with the Iranian negotiations that are going on right now and I think there are many areas like that should motivate two rational countries to find ways to cooperate in spite of the fact that they will be competitive at the same time.

Henry Huiyao Wang: I completely agree with Graham. The two countries are the largest and second largest economies in the world. With all of these global challenges, we need global leadership and global multilateralism to thrive. I think it's important to recognize that the US is running thin on many of those global government issues, and China could really help and be supportive.

I really think common areas like climate change, cyber security and infrastructure, and even things like poverty alleviation, all part of the SDG 2030 agenda really need a lot of common effort, but most importantly, leadership. China and the US have a moral responsibility to lead, so I hope that we can get away from this geopolitical tension and put more emphasis on common prosperity and common good for the world. That is what's really important. I think we should work towards that. I'm really encouraged by the dialogue we have today.

Looking to the Future

Leo Liu: Since we have commemorated the past 50 years in the beginning of this webinar, what are your hopes for the next 50 years of US-China relations?

Graham Allison: I don't think anybody would have imagined 50 years ago, the China that exists today. If we told Kissinger and Nixon that China would have become a full-scale peer competitor of the US in one of their lifetimes, they would have said, you're out of your mind; it's not conceivable. So, what China has accomplished in just basically two generations is quite amazing. And I expect that the next 50 years will be equally amazing for China, for the US and for the world.

I think the main task for both the US and China, in my view, is to find a way to escape the Thucydides Trap. We should study history carefully and recognize

that, even though there were a lot of benefits to Germany and Great Britain in the period from the 1880s, right through to 1914, and even though they were both each other's most important trading partner, they were both heavily invested in each other, they both exchanged a lot of students who were educated in the other country. Actually, the two leaders of the countries were cousins. They were relatives, and they celebrated holidays together. Nonetheless, when you have a rising power seriously threatening to displace a ruling power, you find a syndrome that we've seen repeatedly in history, since Athens rose and challenged Sparta, and mostly those turned out catastrophically.

I fear that this will go the way of history. And if it doesn't, it won't be because we were complacent or we took it for granted, or we just said it couldn't happen. It'll be because statesmen reach beyond history as usual, beyond the promise as usual, beyond strategic imagination as usual. So, they have to stretch to some better ideas. And I think that's why it's a good thing to have conferences like this. Folks at your age are more likely to be less constrained by the concepts and practices that people of my generation have or may be able to think of some better ideas. So I would say over to you.

Henry Huiyao Wang: I agree with Graham. We really have to avoid the Thucydides Trap and avoid another catastrophic outcome. I think that over the next 50 years, the wisdom of humankind will really be tested. With modern technology, we are more of a global village and are now actually in the same a boat. I was talking to Kishore Mahbubani, and he was saying that there's an ocean with 193 boats floating around separately, but we are actually in the same boat. The question is how can we use modern technology, modern integration to accept that we're all in the same boat? The biggest task in the future is about acceptance. We have the idea of a democracy and democratic activities in Washington and Beijing, but how we can see the effectiveness of democracy? We also practice human rights, but perhaps we can link human rights to the SDG 17 criteria? I think there will be some kind of conversion on values and I feel the next 50 years will see more conflict. I was talking to Joseph Nye the same time last year. He was saying that it's possible by 2035 that China and the US may reach a new equilibrium, and then maybe we'll see some common understanding. Fukuyama talked about the "end of history", but it may not be ending and we really need to find a way to calmly live with each other and understand each other, not least because modern technology ties everybody together. We've got to come up with a global culture that is recognizable by all countries, so that we don't go to war over our differences. I really think that prosperity and modernization can change human nature and help us live together in the next half century.

Leo Liu: We want to extend our utmost appreciation to both Professor Graham Allison and Dr. Henry Huiyao Wang.

Navigating Differences and Finding Common Ground in US-China Relations

A Dialogue with Da Hsuan Feng, Zhiquan Zhu

Henry Huiyao Wang, Da Hsuan Feng, and Zhiquan Zhu

The decline in relations between China and the United States remains one of the most concerning issues in the world today. A positive change is urgently needed from both sides to mitigate bilateral tensions. While high-level official meetings post-Covid were positive, the future relationship of these great powers still remains uncertain and the need for a solution is as urgent as ever.

In the following dialogue, CCG President Dr. Henry Huiyao Wang and Professor Da Hsuan Feng, Professor Zhiquan Zhu covered topics such as the importance of infrastructure in modernization and connectivity, development cooperation, regional development and globalization, and the Sino-American relationship.



Henry Huiyao Wang in dialogue with Da Hsuan Feng



Professor Feng is an expert in nuclear and nuclear astrophysics, quantum optics, and mathematical physics, with wide range of experiences and outstanding achievements as a scholar, researcher and leader of university comprehensive development. Before joining Nanyang Technological University, Professor Feng was the Director of Global Affairs and Special Advisor to the rector at the University of Macau. Moreover, he has accumulated three decades of academic and corporate experience in the United States, where he built a broad and strong global network. He was M. Russell Wehr Chair Professor of Physics at Drexel University in Philadelphia, Director of the Division of Theoretical Physics of the United States National Science Foundation, Vice President of the University of Texas at Dallas, and Vice President of the Fortune 500 Science Applications International Corporation (SAIC). He also proactively engaged with academic institutions in India and Europe, and has lectured at nearly all corners of Asia Pacific and South Asia. His latest book is *China's Millennium Transformation: The Belt and Road Initiative* (World Scientific, 2020).

Zhiqun Zhu is Professor of Political Science and International Relations at Bucknell University. He previously taught at University of Bridgeport, Hamilton College, University of South Carolina, and Shanghai International Studies University. In the early 1990s, he was Senior Assistant to Consul for Press and Cultural Affairs at the US Consulate General in Shanghai. Professor Zhu's teaching and research interests include Chinese politics and foreign policy, East Asian political economy, US-Asian relations, and international relations theories. He is the author and editor of a dozen books, including *A Critical Decade: China's Foreign Policy 2008–2018* (World Scientific, 2019) and *US-China Relations in the 21st Century: Power Transition and Peace* (Routledge, 2005). A noted scholar on Chinese foreign policy, Dr. Zhu is a member of the National Committee on United States-China Relations and is frequently quoted by

international media on Chinese and Asian affairs. He maintains a popular column for ThinkChina in Singapore.

Long-Term Re-Adjustment in the US-China Relationship

Da Hsuan Feng: This webinar touches on a subject that I think that is almost changing daily, as the relationship between the United States and China continues to evolve or, in some cases, deteriorate. I am very excited to welcome two of my colleagues today, Professor Henry Huiyao Wang and Professor Zhiquan Zhu to participate in this discussion.

Henry Huiyao Wang: Thank you Professor Feng and Professor Zhu. This is a really fascinating topic—the opportunities and challenges for China and the US in the 21st century. I'd like to start by sharing some of the observations I have.

The first is that China and US are in a period of re-adjustment. Next month marks the 50th anniversary of Nixon's historic visit to China and the signing of Shanghai Communiqué, which was a significant step towards normalization of Sino-American relations and has paved the way for the diplomatic ties between China and US since 1979. However, arguably since the end of the Clinton administration, US-China relations have been deteriorating and reached their lowest point during the Trump years. While many have argued no significant changes in US-China relations have occurred since President Biden took office, there are clear signs that the relationship has entered a period of re-adjustment. I talked to Joseph Nye not long ago and he mentioned the concept of "cooperative rivalry," saying that it is very difficult for President Biden to make any drastic moves on China with such a thin Democratic majority in the House.

US Secretary of State Blinken famously used the concept of the "3Cs" (compete, collaborate, confront), to describe US policy on China, saying that the relationship would be competitive, collaborative, and adversarial. The phone call in November between the American and Chinese leaders was seen as an attempt to stabilize the relationship, but it hasn't had the impact that many had expected. President Biden still underscored that the US remains committed to the one-China policy, but we still see that there is a lot of activities going on Taiwan and South China Sea. And, the US-China trade phase one deal also is coming to an end, but we still haven't seen the tariff being lifted. So this period of adjustment that we're seeing is going to be going on for some time.

We are entering a period of cooptition—cooperative competition, which is something we need to pay attention to considering the many things we have to cooperate on—climate change, public health, cyber security and many others. The US and China are the world's two largest CO2 emitters and we have to work together to avoid catastrophe. The pandemic is still a real threat and it's unfortunate that we haven't really worked together.

Cooperation is the cornerstone for US and China. China is now taking the

lead in clean energy technology and is the largest producer of solar power and hydropower and is a major producer of clean. There are many areas where the US and China can work together. There's also infrastructure, which is an area that the US and China could really cooperate in light of President Biden's proposed B3W and the EU's Global Gateway, and China's Belt and Road Initiative, which it launched eight years ago.

Infrastructure is probably the biggest and least controversial area we can cooperate on. Everybody is working on that, and the world needs infrastructure to drive development for the next half a century. Development banks should all cooperate on this, including China's AIIB, the World Bank, the Asian Development Bank, African Development Bank, Latin American Development Bank, and others.

I'd also like to talk about how we have to recognize both countries in terms of their values and systems. I was quite pleased when President Biden announced that he would take troops out of Afghanistan, basically saying that the US was not engaging in nation building anymore. China has a long history and a Confucian society, which holds Asian values such as peace. China is also a meritocracy and uses modern technology suited for a technology- and market-based democracy where the people choose where to go and what to buy.

China has a rich and diverse civilization. This is also true of democracy, which is not mass produced based on a uniform model. We have to recognize the existence of different cultures and different systems. China's historical traditions and the status quo have paved the way for how democracy actually works in China through its own system of selections.

Finally, I'd like to say that the US and China are big countries at a crossroads. We should avoid the Thucydides Trap as well as the Kindleberger Trap. We cannot leave the world without responsible states ready to really to safeguard multilateralism and the system that has been in place for the last 75 years, which we also need to improve and upgrade. We are living in a very challenging world, but there are enormous opportunities in public health, climate change, infrastructure and improving cyber security. Today's topic is very relevant and the world's two largest economies have to work with other a host of other countries, avoiding a situation where the US and China create a bipolar world through decoupling.

Da Hsuan Feng: Thank you very much, Henry. You've certainly painted a very comprehensive picture of development in the US and China, at least for the last five or six years.

US-China divergence a result of fundamental cultural and systemic differences

Zhiqun Zhu: I want to commend you Dr. Wang for founding and leading the Center for China and Globalization, and promoting exchange and dialogue

among scholars, former government officials, diplomats, businesspeople and entrepreneurs and others, from China and other countries. CCG is also active in Track II diplomacy. At a time when there are so many problems in government-to-government relations, I think it's extremely important to maintain people-to-people exchanges and keep communication channels open. So, thank you, Dr. Wang, for helping promote mutual understanding between China and the world.

In your opening remarks, you highlighted the difficulties between China and United States and actually listed a few areas where the two countries can cooperate. Maybe you can elaborate on the causes that have led to the current situation, the current status of the relationship between China and the United States. You highlighted a few but maybe if you can elaborate a bit on both sides. Then, what are the areas where you think the two countries can cooperate and what is preventing them from cooperating with each other?

Henry Huiyao Wang: Thank you, Professor Zhu. As I said, this year is the 50th year since Nixon visited China. US-China relations had been improving for the last five decades with a lot of people-to-people exchanges and dialogues as well as trade between the two largest economies in the world, particularly in the last decade. What I think went wrong was that, first of all, 20 years ago when China joined the WTO, the US was thinking, "OK, we can turn China into a US or western-style model or democracy," but gradually they didn't see that happening. That is one problem and the main reason for today's re-adjustment. They were hoping that China would converge, but it turned out China was able to stand on its own and actually develop quite well. That kind of mindset is going to take years to change because that kind of ideological difference is embedded in people's minds, particularly among the American elite.

The second problem is that China has been developing so fast and so effectively. It recently lifted 800 million people out of poverty, which represents 70% of global poverty reduction. That's enormous. It's human nature to feel admiration, envy or even jealousy, but because China is doing well but in such a different way, there are people who feel that something isn't right.

The third problem is also difficult, because China has a different culture and a different language. It's not a western country. China has 5,000 years of history and an uninterrupted continuity in its civilization. This often makes it hard to fully understand China.

I think the last reason I can think of is that China probably needs to work more on its narrative. China has done so well, but it still hasn't come up with a theoretical framework to explain the reasons behind its success and provide a model for people outside China. China has done a lot of that, but it's still not enough.

Those are some of the reasons for the divergence or potential conflict we're seeing. If I had to give one other reason, it would be values, because people view democracy, ideology, development models, governance styles and human rights so differently. This has led to a lot of potential disagreement, argument, and even conflict.

As for areas where we can collaborate in the future, the main areas that people already know about are the pandemic and climate change. One good sign that we can collaborate is that, recently, five countries signed a nuclear non-proliferation deal to restrict the use of nuclear weapons. We could also cooperate on issues like North Korea and Iran, but then there is also infrastructure, especially in developing countries. There are many areas where we still need each other and we can't afford to continue to separate.

Foreign countries shouldn't interfere in Cross-Straits relations

Da Hsuan Feng: Dr. Wang, you've zeroed in on some of the critical reasons why the world's two major economic powers today are showing more and more animosity. I hope in today's discussion we can elaborate on some of the ways to alleviate that. Let's get to one of the hardest problems right now between the US and China, which I think everyone would agree is the issue of Taiwan. In the last few months, Taiwan has re-emerged as potentially the most explosive issue between the two countries. The United States Congress has passed several new bills and the Biden administration has significantly upgraded the Taiwan Relations Act, which sort of plays around with the words of the one-China policy and is making people there uncomfortable.

In your view, Henry, how dangerous is the Taiwan Straits today? Why are the tensions so high on both the US and Chinese points of view? What do you think the prospects are for peaceful reunification between Taiwan and the Mainland, considering that China's leader recently reiterated very clearly that reunification is a definite goal for all Chinese people.

Henry Huiyao Wang: Thank you, Professor Feng. You are right that Taiwan is probably the most sensitive topic in Sino-American relations. If the Taiwan issue is not handled properly or carefully, it could ruin everything, so it's very dangerous and explosive if we are not careful. What has led to this situation is the fact that Taiwan's Democratic Progressive Party actually wants to seek independence. There is a tendency for that. When the KMT was in office under Ma Ying-jeou and Lien Zhan there was already a great deal of convergence with the Mainland of China, which was Taiwan's most important trading partner in terms of the trade surplus. The people-to-people movement across the strait is enormous, with millions of Mainlanders traveling to Taiwan and thousands of Mainland students studying in Taiwan. There were also over two million Taiwanese people working in the Mainland. There was a very natural integration, but since Biden administration came to power, things really changed.

Then there was the unrest in Hong Kong, which also stirred up the situation in Taiwan as well. During the first term of President Tsai, the KMT won many seats in the midterm elections and it looked like Tsai might lose the presidency in the next presidential election if it weren't for the unrest in Hong Kong. But now Hong Kong is back to normal and prospering. I think that will help the situation

in Taiwan, showing them that the “One Country, Two Systems” model actually works and could continue to work with some modifications. But surprisingly the US sent officials to visit Taiwan during the Trump administration including several visits by congressmen and navy warships passing through the Taiwan Straits hundreds of times. The situation is getting worse and even Tsai said that there are US military personnel based in Taiwan. That’s a strong violation of the three communiqués, which say there should be no official contacts and no military bases in Taiwan. China has to react in some way, so there were all those air flights. I think this situation basically was largely caused by the Taiwanese authorities, but the US also had the intention to keep this situation tense. This is really dangerous. I think these issues can really be solved by the people on either side the strait, because they are from the same culture, same ethnicity, same tradition and same language. Why can’t we solve the problem by ourselves? We don’t need foreign interference. I think that’s the mistake we should avoid.

“Genocide” in Xinjiang Is Unsubstantiated and Untrue

Zhiqun Zhu: Thank you Henry. I agree with you that the problem between the mainland and Taiwan should be resolved by themselves without foreign intervention. Let me ask another perhaps also very sensitive, even controversial issue, which is Xinjiang. We all know that the US Congress and White House are making policies and passing laws regarding Xinjiang based on what they claim to be genocide and crimes against humanity. Western media is also covering the situation in Xinjiang as if genocide is the fact on the ground. Of course, the Chinese side has a totally different version of the story. So, what exactly is going on in Xinjiang? And what can China and the Chinese government do to make its voices heard in the West?

Henry Huiyao Wang: Thank you, Professor Zhu. Now that the situation in Hong Kong has stabilized, I think now the hardest issue people are talking probably still is Xinjiang, but they’re talking about there being 1 or 2 million Uyghurs in camps, which is not true. There are only about 9 or 10 million Uyghurs. If you’re talking about 2 million Uyghurs in the camp, there must be Uyghurs from every family there, which is totally impossible. That’s number one.

Number two, I’ve been to Xinjiang a number of times and everywhere you go now is very safe, peaceful and prosperous. Xinjiang’s economic growth is higher than other provinces in China and before the pandemic, tourism was also quite good. The other thing is that people talking about genocide, but those claims are unsubstantiated. There could be individual cases, but you don’t really see systematic anything going on in Xinjiang. I think it was greatly exaggerated and it’s actually not true at all. What actually is happening is that some people from Xinjiang are talking about individual situations there. There could be something happened to that particular individual but it’s not really true of the entire population there.

Xinjiang is actually open for any anybody to go there and see. It's open to foreigners and foreign journalists too. I know there are a lot of foreigners and even embassy officials who actually went there. I'm sure they reported that they couldn't find anything to substantiate the claims that there's a genocide in Xinjiang, you can grab a flight and go to Xinjiang to see for yourself. The new party secretary in Xinjiang is actually looking for comments online to see what recommendations people have to build a better Xinjiang. I think they are very open and people are safe, anywhere you go in Xinjiang. It's a really a great situation. I think it's really unfortunately that the pandemic is preventing many people to coming to see it. I really hope more foreign tourists come to Xinjiang so that we can get these unsubstantiated claims out of the media.

China's transformation proof of the efficiency and effectiveness of its system

Da Hsuan Feng: I'd like to invite a very distinguished guest today. His name is Norman Pearlstine. Norman was the former editor-in-chief of Wall Street Journal as well as Los Angeles Times. Norman, would you like to ask a follow-up question or a question in general?

Norman Pearlstine: Thank you very much for the opportunity to join the conversation and to learn from you and your colleagues on the panel, whose perspectives are not often well publicized or understood within the US, certainly in recent years. I have a number of questions that come to mind, but for many Americans, I think it is difficult to fully appreciate the role of China's leader within China and what we've observed since he came to power at the end of 2013 and the beginning of 2014. I would be curious as to whether Dr. Wang feels that his years are a logical and natural extension of his three predecessors or whether he is really either a throwback to prior times or creating a new set of beliefs and values that are in many ways different from what at least many people outside of China thought they were observing in the two decades, say, prior to his coming to power.

Henry Huiyao Wang: Thank you for the question. China has just celebrated the centennial of the founding of the Communist Party of China. I think there is a logic, tradition and continuity in the CPC. They founded the People's Republic of China, built the infrastructure, industry and the social system. I think overall, you have to say it's been quite successful, particularly over the last four decades since China opened up. I think the current leader in China has actually carried on CPC tradition, which has been passed on continuously through all Chinese leaders since Mao. I think he's carried on that tradition very well, with upgrades and improvements of course.

Over the last 10 years, since China's current leader took over, you've seen tremendous changes and transformations. One example is infrastructure, which is much better. China has become more active. It also proposed the Belt and Road

Initiative, which is a new master plan to promote growth in developing countries. China has also proposed new concepts like building a “community with a shared future”. China is also more supportive, becoming the second largest donor to the United Nations and providing 10% of the WTO’s budget. Since the pandemic started, China has donated 2 billion doses of vaccines to over 120 countries. In the last 10 years, China has become the largest automobile market in the world, with 25 million auto production a year. It’s the largest clean energy vehicle producer in the world, largest solar power energy producer in the world, and it’s the largest producer of wind power, hydro power. You know the list goes on. The reason they can do that is that they have one strong party leadership also with the Chinese leader at the core, but also that there’s a system, the continuity of the CPC. It’s one Five-Year Plan after another Five-Year Plan, after another Five-Year Plan, one centennial plan for CPC and another centennial plan for the People’s Republic of China. So, I think there’s a logic and with a 5,000-year civilization, uninterrupted until today, there must be some logic, there must be some internal rhythm. They must have done something right. So I think how we can really be interpreted by the Western countries is quite interesting as well, because China has a different system.

Today, the whole world is focused on infrastructure. President Biden announced a \$1.2 trillion infrastructure plan, the EU chair announced the €300 billion Global Gateway and China has already started working on infrastructure eight years ago through the BRI. We can have different systems, but we should work together.

China has always had a very strong central government or leadership and there is continuity there. There’s no lame duck and there’s no changing of the government every three or four years, no opposition for opposition’s sake or veto for the veto’s sake. We see problems with the Western system too. That said, China is not perfect and is still improving, but China is gradually finding its own way. For example, China already has one billion social security beneficiaries and 1.3 billion people under some kind of a medical coverage, making it the largest medical care system in the world now. China also has 10 million people graduating from college every year, making it the largest producer of college graduates in the world. It’s also lifted 800 million people out of poverty. It must have done something right for China and if you compare the KPI, China is probably doing everything. Of course, Western countries like the US have their unique advantages in innovation, talent and other good areas, but I think we should focus on complimenting each other rather than turning into rivals. There’s a lot we can learn from each other.

Norman Pearlstine: If I could just follow up quickly on that? How should we interpret the presumed decision that will enable the Chinese leader to stay in power for more than two terms? To an outsider, that certainly seems like a deviation from his three predecessors. I would be grateful for any guidance you might be able to provide.

Henry Huiyao Wang: Just a personal observation for example—the German Chancellor Angela Merkel, who just retired, served for 16 years. Many other countries' leaders have even longer terms. Putin has been serving many years over many terms. Throughout China's history, there has always been a strong leadership and we need really strong leadership. We can't have a lame duck. We need a lot of things to be done. The reason China is so efficient and highly effective is because we have a strong central leadership. I think historically China always has had very strong and centralized government and with strong leadership. I think this is good for the country, because even Deng retained his position as leader of the military for more than two terms, as did Jiang Zemin. I think if things are going well and the leader is doing great in terms of ensuring economic and social benefits; if he is rejuvenating the country, he deserves more time to do that and the people really look forward to better times to come.

Norman Pearlstine: Well, I guess it's worth noting that in New York City, Mayor Bloomberg also wanted more than two terms and got a third one, too.

China-ASEAN trade and rail connections of great significance

Da Hsuan Feng: I'd like to turn to a question on China's Belt and Road Initiative, particularly with respect to Southeast Asia. As you know, Henry, I grew up in Singapore, so Southeast Asia means something to me. As I always tell my friends, you can take me out of Singapore, but you cannot take Singapore out of me.

As you have mentioned earlier, on January 1st of this year, something incredible happened, and that was the signing of the Regional Comprehensive Economic Partnership or RCEP, which is run and driven by the ten ASEAN nations, with China, of course, being a very important component. The other thing that happened within ASEAN is the completion of the high-speed rail line between Kunming and Vientiane. This is the first time a poor Southeast Asian nation like Laos suddenly jumped from having almost no train service to high-speed rail within five years. Of course, this will be extended beyond Vientiane, because very soon it will go to Bangkok, then Malaysia and Singapore. And so the relationship between ASEAN and China is going to transform rather significantly, if not spectacularly, in the coming five to ten years. What impact do you think this will have on the Belt and Road Initiative vis-à-vis Southeast Asia?

Henry Huiyao Wang: Thank you Professor Feng. Actually, I see this as enormous progress. As you rightly said, on January 1st, when the RCEP went into effect, becoming the largest free trade agreement in the world. Asia is really taking a new shape and a new direction, symbolizing the rise of the Asia as a global center in the 21st century, because that's where the global economy will be focused.

Asia will become the largest economy for foreseeable, not-so-distant, future.

It's already almost 40 or 50% of the global economy today and will probably become 60 or 70% as time goes on. China and ASEAN cooperation is important and the RCEP has enabled a free trade agreement between China, Japan, South Korea, Australia and New Zealand, because they are all connected through the RCEP. This is really significant.

Furthermore, China is truly leading the way in infrastructure. China has two-thirds of the world's high-speed railway lines, the total length of which is equal to the next 10 countries combined, whereas the US military budget is equal to the next 10 countries combined. China is busy building economic alliances by joining the RCEP, applying for the CPTPP and DEPA, and driving the Belt and Road Initiative, whereas the US is forming AUKUS, the Quad and Indo-Pacific security alliances. You can see that there are a lot of differences there.

I see great significance in China building the railway between Kunming and Laos, which is the first time China has a rail network reconnecting it with an ASEAN country, which can then connect to Thailand, Myanmar and many other ASEAN countries, even Singapore and Malaysia. That's a huge statement. I had a talk with David Lampton not too long ago and he wrote a book called *Rivers of Iron*, in which he described railways as "iron rivers". I think those rivers are going to become a supply line, a pipeline for China as they connect to each other.

It also shows how, in the future, the US, the EU, China, or a vast number of developing countries, all really need infrastructure and that's where the boom and prosperity will come from for the next half a century. The BRI needs to be further enhanced, and we probably could multilateralize the Initiative. The AIIB could become a part of that, as could the World Bank and the Asian Development Bank. The BRI, B3W, and EU's Global Gateway should combine their efforts for the benefit of developing countries.

Despite a Complex History, the China-Russia Relationship Remains Strong

Zhiqun Zhu: I have a question about Russia. As US relations with both China and Russia continue to deteriorate, China-Russia relations have significantly deepened with the leaders of China and Russia establishing a close personal bond. How do you view Russia's role in great power politics today and what does the future hold for the China-Russia-US trilateral relationship?

Henry Huiyao Wang: Thank you Professor Zhu for this question. China and Russia, historically, have had many problems and a lot of disputes; they also have quite different cultures. But somehow they now share something in common, which is pressure and opposition from Western countries. Russia is facing the issue of Ukraine and NATO's expansion into Russia's neighbors, while China has the problem of the US security treaty with Taiwan and US activities getting closer to the Chinese mainland. So, I think China and Russia actually share the same concerns, which is the expansion of the US or Western countries into their territory or neighborhood. This has brought them together. What happened in

Kazakhstan recently also shows evidence of foreign interference.

Ties between China and Russia are also getting better economically. This year, Russia has done so well in terms of trade with China, and vice versa. There's been an increase in trade in the energy sector with natural gas and there are many economic benefits. China has just celebrated the centennial of the founding of the CPC and, looking back, China actually learned a lot from Russia and during the founding of the People's Republic of China. The former Soviet Union helped China build 150 projects in the first phase of its efforts to develop infrastructure. There are a lot of good feelings there. Even though they had a territorial dispute in the 1960s, somehow I think they share a lot of similarities and I think the most important thing is that they share a common threat—involvement in their own neighborhood by other countries—so they've been forced to work together, which can be quite significant in opposing any threat that they may face. This is actually mutually assured safety, including strong ties between Russia and China through the Shanghai Cooperation Organization.

Enormous Opportunities in Cooperation between China and India

Da Hsuan Feng: The discussion about Russia and China is a great segway into a question that's been on my mind—China and India. Recently, Russia worked to get India to participate in the Olympics. I don't know how many athletes will actually come from India, but they've said “we are coming to the Olympics”. The relationship between China and India has always been an intriguing if not questionable one. India has the world's second largest population and if you add China and India together, they make up almost 40% of humanity. Before 1962, China and India never had any conflict and by comparison to the Second World War and others, it was relatively small and some people might even call it a skirmish. But from 1962 onwards, until today, India and China somehow have difficulty coming together to work for humanity's sake. After all, they make up 40% of human population. One of the things that always surprises me is that even though India is just next-door to China and has 1.3 billion people, the number of Chinese universities that actually have a real interest in studying India's practices and history is very small. I also know that among India's 1.3 billion people, the number of people that actually speak Chinese can be measured in the thousands, so essentially none. The question is, can India and China move forward?

Henry Huiyao Wang: I agree with you, Professor Feng. Both India and China are great civilizations and countries, and the two most populous nations in the world. As you said, they account for 40% or more of the global population. The relationship between China and India goes back a long way. The Western returnees are called “haigui” in China, a term that goes back to Xuanzang, who traveled to India, which has had a huge influence on Buddhism in China.

There are many reasons for the two countries to work together. Before the pandemic, I traveled to India almost every year and I saw the transformation

going on there as well as how China and India can work together—urbanization, the environment, poverty alleviation, infrastructure and transportation, all of which China has gone through and can be really beautifully reproduced in India. It's a huge opportunity for the 1.4 billion people there. The Chinese company Xiaomi became the largest mobile phone seller after three years and now accounts a large share of the market, which is an enormous opportunity. There are also hundreds of apps being used in India. This is why it's really unfortunate that the situation has deteriorated over the last few years. But I'm glad to see Prime Minister Modi announced that India is going to join the Olympics. I hope that we can go back to the days when Modi visited Wuhan and China's leader visited India. I really hope these two big countries can really work together.

India has traditionally pursued and led in the Non-Aligned Movement without joining any big camps. With regard to the Quad, the Indian Ambassador told me that it is more for economic reasons than a military purpose. I hope that China and India can work together and not focus on border disputes. Let's all cool down and and concentrate on peaceful cooperation. Maybe that's the way to go. I really see there are enormous opportunities for both China and India.

Great Economic Benefits Remain in Working with China

Zhiqun Zhu: Many countries are stuck in the competition between China and the United States, finding themselves between a rock and a hard place. Some countries, apparently, have decided to follow US leadership in taking a more confrontational approach towards China, like Australia and Canada. Meanwhile, others, such as Singapore, Israel and South Korea, seem to be trying to maintain good relations with both powers. Many more other countries are facing the same dilemma. So, what should they do? What is in their best interests? As competition between the US and China continues to intensify, do you think there can be some mediation between China and the United States? What can these other countries do?

Henry Huiyao Wang: Great question, Professor Zhu. We're living in a really complicated era, which is very different from the last century when we were in the midst of the Cold War and there was the Soviet Union bloc made up of Eastern Bloc countries under the Warsaw Pact and there were the NATO countries. The global economy was not that intertwined and we didn't really need each other—all we needed were guns.

Nowadays, it's totally different. China is the largest trading nation of 130 countries. It's also signed the Belt and Road agreement with almost 100 countries and another 50 international organizations. China just held a FOCAC summit with more than 50 African heads of state. China is pledging another billion vaccines, including 400 million produced locally, for African countries. China has also committed itself to many development projects, forgiving multiple loans and debt. In its cooperation with ASEAN countries, China has built a fabulous

railway between China and Laos.

Today, it's OK that countries are ideologically aligned with the US but economically aligned with China. What really makes the world turn is the economy and the real benefits, which is why I think we're totally different from last century when countries could only survive if they teamed up with one camp or another. Now, they can benefit economically from China, the largest economy in the world, and China is only becoming more attractive. In the end, with so many developing countries see the benefit of working with China, they will stay with China. If they fail, there is no threat. China has never colonized other places or sent troops to occupy any countries Nor does China have military bases outside its borders. So why worry about China?

Even on the issue of South China Sea, things can be resolved by China and ASEAN countries through the South China Sea Code of Conduct or joint explorations. There's no foreign interference from China. The US used to say they didn't take sides on the South China Sea, but now they're not only taking sides, they're also becoming the main source of confrontation in the South China Sea. If countries see the benefit of working with China, I don't think they'll really pick a side or try to side with the US. I think economic common sense will prevail.

BRI “Debt Trap” Largely a Myth

Da Hsuan Feng: Generally when the West talks about the Belt and Road Initiative, the term “debt trap” is often used to accuse China. Recently, there was an extensive article written by Professor Brautigam in *The Atlantic*, which says that this concept that the West is proposing is really a myth. What do you think of that? Because certainly in the Western media, you still hear this quite a bit. How does China view this issue?

Henry Huiyao Wang: China has a disadvantage in terms of the English language, but 90% of the world's most influential media is in English and dominated by Western countries. Regarding the debt trap, I don't know how many reporters have really gone and looked at the situations in different countries and they probably haven't really reported much on all those good stories. In the US, I believe the Rhodium Group published a study on 40% of China's projects in Belt and Road countries and there were very few that fell into a “debt trap”. There were 20% with debt issues, but most of those were forgiven while others also maybe rescheduled debt payments. If you're talking about real debt issues, it's only a very tiny percentage. I think that confirms that professor's position that it's really a myth, if not a bias. I think it's been generally good for many countries.

Many presidents of African countries have spoken about the benefits of cooperating with China. I've been talking to ambassadors here in Beijing quite a lot and last year we held a roundtable at CCG with 64 African Union

ambassadors. They were talking about the African Union free trade agreement and how they can work with China. I didn't hear any African ambassadors complaining about this so-called "debt trap". We really need to get away from this myth. I'm not saying the Belt and Road is perfect and there could be problems here and there, but there were not intentional or deliberate. It has been largely beneficial to all countries involved.

China and the West have Different Democratic Systems

Zhiqun Zhu: I think the label "debt trap diplomacy" has a lot to do with how China's diplomacy or foreign policy in general is perceived outside China, which leads me to another question for you, which is China's international image. We all know that China's international image is very mixed. Generally speaking, in developing countries like Africa, Latin America, and Southeast Asia, China's image is more positive. But in the developed world, China's image is pretty negative. I'm wondering why that is? And how can China do a better job of improving its international image, especially in the West, and perhaps change people's perception of China's policies?

Henry Huiyao Wang: You're right. China's relations with developing countries are great. Last month, we had four Pacific Alliance ambassadors from Columbia, Chile, Peru, and Mexico come to CCG's office. Three of them are CPTPP member countries and, with the exception of Mexico, they all feel now that their larger trading partner is China. Brazil sees China as a larger trading partner. China does have really a good image in Central Asian, Latin American, African, and ASEAN countries. ASEAN became the largest trading partner with China last year too. China is the largest trading partner with EU as well.

I think fundamentally there is an issue in the different values we hold. That's why President Biden picked the countries based on whether he determined they were democratic or not. But the fact is that democracy originated in Athens over 2,000 years ago and has been gradually evolving. In today's world, with modern technology, I think democracy has to be upgraded. In the old-days, when "the mountain was high and the king was far away," it was very autocratic and you needed people to vote to throw him out. But now, with modern technology, social media, feasibility studies and think tanks, leaders in today's world know what's going on and they hardly make any bad decisions, especially because of the decision-making system they have supporting them. I think democracy as a concept has to change somewhat. Does this one-man-one-vote really solve all the problems? In the US, everybody comes out to vote, but after you vote, many promises are broken and the bipartisan fight begins again. January 6th is a really good example of that. Every several years, if there is a new government, it always votes down the previous government's policies.

But in China, there has been a system of meritocracy for thousands of years and today 15 million people sit for university exams every year and millions

of people apply to be public servants. This is a kind of selection and election, too. If you are not talented, you won't be able to serve as a public servant. All the officials in China have begun their careers at the county level, then move on to the city level, provincial level, then to the top. You have to work your way through and are judged on your performance. Both systems have their own logic.

I think that's the problem. Western countries have their system and they feel China's system is not good. Fukuyama said almost 30 years ago, when the Cold War ended, that it was the end of history. But it's not. I think that's where Western suspicion, dissatisfaction, dislike and some resentment come from. Our system is different, but it has done well no matter how you measure it—social welfare, infrastructure, and rapid economic growth on a level that the world has never seen. With its massive population of 1.4 billion people, China is thriving and Beijing is the only city to host two Olympics.

However, English is not the language of China, which makes it difficult for China to explain itself well on a global stage. There is a lot of suspicion and jealousy, and maybe some misunderstanding. I think it's going to take a long time for countries to really understand each other. Western countries have a lot of advantages. The US attracts a lot of talent. Even during the pandemic time last year, 200,000 Chinese students went to the United States, and I just read a report from the US Science Council that 80% of the PhD students from China want to stay in the US. China has become America's largest source of talent because of its innovativeness and attractiveness.

There are many areas where we can work together, instead of seeing each other as a totally different. I think we should learn from each other. Today's world is also multipolar and we should let different systems try their own way. China has its own style of democracy in whole process democracy, consultative democracy, meritocracy, market democracy, and of course, technology democracy. The US has its own system too, but we need to improve and work together.

Zhiquan Zhu: Thank you, Henry, I totally agree. I think there's no one size fits all solution to the problems in the world today. I think the key here is to continue our dialogue and maintain communication to better understand each other. I think all countries should approach each other with a sense of humility and an understanding that maybe other countries have done a better job in certain areas. We should be condescending and preach to others.

The relationship between China and the United States is so important and so consequential that the narrative about this relationship should not be just dominated by hoaxes. Different voices and rational opinions like yours should be heard more frequently and more widely. I appreciate that and appreciate the opportunity to engage with you.

Increased Numbers of Journalists in US and China a Positive Sign

Zhiquan Zhu: We have a few minutes, so let's pick some questions from the chat

room.

Max Lu: Dr Wang, thank you for the opportunity to chat with you and to hear your insights. My name is Max Lu and I'm from Bloomberg New Economy. I think you came to our forum in Beijing and probably also Singapore before. I have an interesting question based on your earlier response. You mentioned that the international media is dominated Western companies, but in your view, do you think China has the right political and social environment to have its own international media platform? And in what way do you think that will be developed?

Henry Huiyao Wang: I think it's really important for China to have international news and reporters. China is trying to develop these itself with English-language media like China Daily and CGTN. But I'm also very glad to see that after the virtual summit between leaders of China and the US, both countries agreed that they are going to invite more journalists to each other's country. We need to welcome more international journalists here in China. For example, during the Winter Olympics, we welcomed more international journalists, even though they had to be quarantined. The more journalists we have going back and forth, the more we can promote understanding.

What I'm seeing just now is that English-language media is dominated by Western countries and China still has a long way to go. But China has realized the importance of international media and social media. So I think we should find a way to work together, at least loosen restrictions on journalists in both countries and give them multiple entry visas, so that we can have better stories on both sides.

Da Hsuan Feng: There's no doubt that what was discussed in the last couple of years between the US and China is decoupling, which could be very dangerous for the world. What is China's view about decoupling between the East and the West? We often hear the views from the West, but I would like to hear how the Chinese feel about the possibility of decoupling?

Henry Huiyao Wang: I think decoupling is an old concept. During the Cold War, the US and the Soviet Union decoupled from each other economically, which is why the Soviet Union was so backward economically and eventually collapsed. But globalization has intertwined the world so much and for the last four decades many US companies have been coming to China. We have 70,000 US companies in China, which generate about \$700 billion in revenue. All the American Fortune 500 companies have operations in China. During the National Day holiday last year, I went to the newly-opened Universal Studios theme park in Beijing, the largest of the world's five Universal Studios, and it was flooded with tourists.

I actually think it's impossible to decouple. The US continues to sanction China, first Huawei, and then ZTE, but there are many other companies and the

total number of Chinese companies they put on the entity list is over 600, while China hasn't actually sanctioned any companies from the US as far as I can remember. Even though released a new anti-foreign sanctions law, it hasn't really acted on it.

The US is doing a lot of damage not only to the Chinese economy, but also to the US economy. Sanctions on computer chips and on the semiconductor sector have created a crisis resulting in several million fewer cars being produced worldwide because of this shortage of computer chips.

Two nights ago, I had a conversation with Edwin Feulner, Founder of the Heritage Foundation and Terry Branstad, former US Ambassador to China. Terry Branstad told me that there was a record number of agricultural sales to China last year, which has made agricultural land in mid-western states like Iowa more expensive. China has many deserts and mountains, while the US has a lot of fertile land, which means they can supply a lot of agricultural products to China. In the tech sector, Apple makes 90 to 95% of its computers and phones in China, while Qualcomm and Intel sell 60% of their products in China. So how can they decouple? They are hurting themselves.

I think this kind of re-orientation or adjustment will take a few years. The US-China Business Council and American Chamber of Commerce have done surveys and most American companies want to stay in China and expand investment. So how can you decouple? There are people-to-people exchanges and I was told by the charge d'affaires from the US Embassy here in Beijing that they issued over 200,000 visas for Chinese students to go to the United States during the pandemic last year. So how can you decouple? We are completely intertwined and if you're hurting China, you're hurting yourself too.

We have a lot of differences and we're entering a new phase in our relationship, so I would suggest a new realistic approach to bilateral relations, which will take adjustment on both sides. I was talking to Joseph Nye, who said that maybe by 2035, people will learn that we have to sit down and work together and peacefully co-exist. Graham Allison also compared China and the US to twins who are inseparable. If we do damage to one, the other will suffer as well. My feeling is that we're entering a period of "coopetition"—cooperation and competition—but I think we should have peaceful competition in the spirit of the Olympics, which has been expanded to faster, higher stronger—and together. I firmly believe that we can't separate, we have to be together.

Zhiqun Zhu: Henry, we can't thank you enough for joining us and providing such insightful and fruitful thoughts. And we wish you and CCG continued success in the future and we hope to do this again in the future.

The Secretariat Solution—a G2 Foundation for Future of China-US Relations

A Dialogue with Stephen S. Roach

Henry Huiyao Wang and Stephen S. Roach

New solutions for the challenges of today's world must be both practical and bold. There is a considerable barrier in communication between the United States and China, especially at more official levels, but this is the level at which more frequent communication is required to avoid dangerous outcomes. A dedicated “secretariat” responsible for day-to-day communication could be one solution to overcome this most pressing of challenges.

Topics of discussion by CCG President Dr. Henry Huiyao Wang and Professor Stephen S. Roach touched upon reflections on the Sino-American relationship and insights on economic relations, causes of the trade war between the US and China, as well as advice for managing and stabilizing this critical bilateral relationship.



Henry Huiyao Wang in dialogue with Stephen S. Roach

Professor Stephen S. Roach is a renowned economist with a distinguished career spanning nearly five decades in economic research, finance, and academia. He is currently a Senior Research Scholar of Paul Tsai China Center at Yale Law School, Senior Fellow at Yale University's Jackson Institute of Global Affairs and a Senior Lecturer at Yale's School of Management. He was formerly Chairman of Morgan Stanley Asia in Hong Kong and the firm's Chief Economist in New York. Before that, he worked in the Federal Reserve and started his career at the Brookings Institution. His most recent published book, *Unbalanced: The Codependency of America and China*, examines the risks and opportunities of what is likely to be the most important economic relationship of the 21st century.

Potential for Positive and Negative Developments in US-China Relations

Henry Huiyao Wang: As we approach the end of 2021, it is time for us to reflect on this year's major developments, achievements and events as well as to look at future trends in the development of US-China relations and globalization. I know in the last six months you've been working on another book, *Accidental Conflict*, which also analyzes the ups and downs, and potential conflict of China-US relations, we would love to hear about all of that.

Stephen S. Roach: As we near the end of the 2021, I can't help but think back, a year ago—the end of 2020—on how different the world looks today than it did back then. Back in the end of 2020, we were still in shock over the outbreak of the Covid-19 global pandemic. The world had started to come back, but many, myself included, were skeptical of the staying power of the economic rebound. We were continuing to express some concern about the aftershocks of the pandemic. As the year came to an end, the United States, where I continue to be right now, was in a very difficult period between the Trump administration and the then incoming administration of Joe Biden. There was a lot of controversy after our presidential election, some of that controversy unfortunately remains a factor today. But there was a lot of hope as we transitioned from the Trump Administration to the Biden administration that there would be a dramatic change and improvement in the US-China relationship. That has not happened and that's been a surprise to many people. As we sit here at the end of 2021, we continue to see significant conflict on many fronts with respect to the United States and China, whether it's trade, technology, or even escalating rhetoric that many believe is reminiscent of a Cold-War type of conflict. There's good reason to worry about the future of a US and China conflict.

The US economy has performed very well over the past year. Our unemployment rate has fallen more sharply in the last 12 months, than in any 12-month period in modern history. But we always have things to worry about; that's why we're called economists. We practice a dismal science and so we are programmed to worry. And in the US, we're worried because we've had an outbreak of fairly significant inflationary pressures that have taken a lot of people

by surprise, especially the Federal Reserve. And it looks to us that they're going to have to tighten monetary policy to limit the acceleration of inflation and do that a good deal sooner than they had anticipated. So that raises questions about 2022 especially with respect to the financial markets, where the stock market and the bond market have enjoyed extraordinary support from easy money for a long, long time. And if the Federal Reserve begins monetary tightening sooner than expected, then that support will be drawn into question.

Meanwhile in your country, the Chinese economy has slowed after an extraordinary recovery from Covid-19 in the final three quarters of 2020. But you have a new problem that is personified by the significant pressures that have been brought to bear on Evergrande, your second-largest property developer company, a company that has a huge overhang of some \$300 billion in debt. The Chinese government has moved aggressively and understandably in recent years to reduce the debt intensity of your economy. This so-called deleveraging campaign is important. It's been underway now in one form or another for the past five years to make certain that China does not go down the road that Japan did in the 1990s when it was brought to a state of virtual stagnation after its own serious debt-intensive burst of economic growth that led to asset bubbles, which then burst and brought the Japanese economy into a three decade plus period of stagnation where it still is mired today. So, in an effort to avoid a Japanese-like outcome, deleveraging has become a high priority of the Chinese government.

I think the Chinese economy is still in relatively good shape. It will withstand the Evergrande problems much better than many observers in the West believe. The US economy is also in pretty good shape, but it will need to address its inflation problem. However, the biggest risk in the two economies is not their own economies, but the conflict that has arisen between them. I'm hopeful, as I look to 2022, that both nations could come together in a spirit of conflict resolution, rather than in a spirit of conflict escalation. That will require major steps on the part of leaders in both nations. We can only hope that they have the wisdom to do that.

Henry Huiyao Wang: You've clearly outlined what's going on in the US economy, which is getting better, and highlighted the fact that China has achieved quite substantial growth in its GDP in the first three quarters. The potential risk of Evergrande is an obvious issue, but I agree with you that the greatest danger and risk is this potential US-China conflict that you mentioned. We've had Biden in office for almost one year now since he won the election. How much different is he from President Trump? What's the expectation of business communities and of course, general society in terms of US-China relations? We see him suffering a bit in opinion polls. He'll have a democracy summit tomorrow, and today he met with President Putin virtually. Last month, he met with President Xi virtually as well. We have seen a host of issues come up since the meeting between top US and Chinese diplomats in Alaska in March, but where do you see the US-China relationship going and what do you think about the impact it may have on business? Of course, there is also cooperation on controlling the pandemic and

fighting climate change, but after all, I think business is the backbone and the pillar in this bilateral relationship and what has made them tense. What's your analysis of the Biden administration's current and future situation? There's a mid-term election next year and he's facing all kinds of challenges even though he's been able to pass the infrastructure bill. What's your assessment?

Stephen S. Roach: It's sort of interesting to think about what President Biden has done. The election was a year ago. But he's only been in office now for about nine and a half months. It seems like a much longer period of time, but he's still a very new President. What was particularly interesting is on the first day he took office on January 20, 2021, he signed 14 executive orders that reversed many of the most unpopular policies that President Trump had put into place – the border wall with Mexico, the immigration issue, the ban on Muslim travel; and he rejoined the Paris Agreement on Climate Change and the World Health Organization. Almost any of Trump's most unpopular positions were reversed on the very first day of the Biden administration except for one thing, which is the view on China – he has not changed the Trump administration's policies with respect to China. The tariffs are still in place. The sanctions on a large number of Chinese technology companies are still in place. And there continues to be a very difficult and tough rhetoric. If anything, it's escalated over human rights and territorial issues from Taiwan to the South China Sea. You mentioned the meeting in Anchorage at the end of March. That meeting was a disaster. You had senior foreign officials in both countries talking as if we truly were in a Cold War. You have to ask yourself why did President Biden change so many policies, but leave the Trump administration's policy in place with respect to China? I think it boils down to another point that you mentioned that President Biden certainly has a major problem in the public opinion polls in the United States right now. His approval rating is exceptionally low for a newly inaugurated President. Usually we give our new Presidents what they call a honeymoon period where their popularity goes way up and they enjoy broad bipartisan support. For President Biden, the honeymoon was the shortest on record. Whether it's the ongoing problems with Covid, the very contentious debate over vaccine and mask mandates, the inflation problem that I mentioned earlier, and some of the racial issues in the United States – whatever it is, his approval rating is extremely low. I think only about 40% of Americans approve of the job that he's doing, which is too bad, because he's got a very thin majority in the US Congress and there's very little he can actually do given the thin majority. And the fact that he has enacted this large infrastructure plan earlier on a bipartisan basis is a fairly significant accomplishment.

The final point I'd make in response to your question is that we have a lot of polarization in the United States right now. The Republicans do not agree with anything the Democrats stand for, and the Democrats don't agree with anything the Republicans stand for. But the two parties are united on one issue and that is their concern and their negative view on China. The Pew Research Center in Washington conducts a poll twice a year on American sentiment toward China

– it’s now at a record low, almost matching the level of negative sentiment that the American public has toward Joe Biden. If you look at the detail of the poll, it’s Republicans and Democrats, it’s old people, it’s young people, it’s college educated, it’s those who did not go to college – it’s widespread. And that’s too bad. I think it’s based on a number of incorrect impressions that Americans have formed with respect to China, which motivated me to write the book that I have been working on for the past six months. I think there are a number of false impressions that Americans have with respect to China, but this is also true for Chinese leaders and the Chinese public with respect to the United States as well. These false impressions can lead to what my working title of the book concludes, “a state of accidental conflict”. I think the negative sentiment in America toward China, again, bipartisan in support, together with President Biden’s own very low approval ranking is what keeps him and prevents him from really changing the Trump Administration’s policy with respect to China. With his pretty low point in the public opinion polling cycle and I think his political advisers say, why take on an issue where there’s such widespread support for staying tough on China? So I think President Biden is reluctant to risk political capital by changing policies that I think were wrong as established by the Trump Administration. The challenge is to figure out what it will take to bring this conflict to an end in this context.

Domestic Issues and International Policy

Henry Huiyao Wang: What I can see is that for the four years with Trump in office, he really brought down four decades of relatively stable Sino-US relations. His accusations actually projected China as taking advantage of the US here and there. So, even though Trump has left office, Trumpism is still very strong. However, there has been enormous business between the US and China over the last four decades with about 70,000 US companies setting up in China and making \$700 billion in revenue a year. Just Apple alone makes \$50 billion a year in China, and Qualcomm has around 60% of its business in China. I’ve also just been to Universal Studios here in Beijing, which was packed with tourists during the National Day holiday. This will be the largest Universal Studios in the world and they’ve only opened one-third of it. Of course, Tesla is doing marvelously as well. Tesla’s become one of the world’s largest companies because of their new technology and new clean vehicle manufacturing base in China. So I see all the good things in this relationship. Over the last four decades before the pandemic, there were four hundred thousand Chinese students and three million Chinese tourists that went to the United States every year. That kind of narrative is not there. But when the US economy is suffering, China often takes the blame.

One of the issues I’m thinking of is that during the pandemic we saw the wealth of the top 1% continue to increase whereas the middle-class income continued to stagnate as it has for the last 30 years. With a dissatisfied middle class and blue-collar workers against globalization and anti-China politicians in

Congress, China is the easiest scapegoat for domestic politics in the US when it's looking at the widening gap between the rich and the poor. China has its problems too, but they're not really affecting the US that much. It seems ironic to see all these negative opinions about China while China continues to do well. China contributes over one third of global GDP and has lifted 800 million people out of poverty, achieving the first UN SDG ten years ahead of schedule. They're both also comparing democracy now with the US having a democracy summit and China just having a democracy forum. It's interesting to see them comparing the bottom line on democracy. So, what do you think about all those arguments that we see in the societies?

Stephen S. Roach: You touched on a lot of difficult yet very important issues, but I just want to pick up on a couple of strands and tie them together. You're right that we have a serious problem in the United States with income and wealth inequality. And it's gotten worse in recent years. We're not alone in that. There have been problems of rising wealth and income inequality around the world and, in fact, President Xi Jinping has made this a centerpiece of his own campaign starting this summer for restoring "common prosperity" which is all about dealing with inequality that has been a growing and worrisome problem in China as well.

The point you made when you started this line of questioning is a very important one – that is, in the United States, the politicians have turned this problem into blaming it on China. The logic goes something like this: the American middle-class has been damaged because of a large and growing trade deficit and the biggest piece of that deficit is with China. I think the numbers were, as recently as 2016, that China accounted for about 48% of the total merchandise trade deficit. The final piece of the argument that was made by earlier administrations but especially by the Trump administration was that the Chinese trade deficit is an outgrowth of unfair trading practices that go back to allegations that are made with respect to technology transfer, industrial policy, and innovation policy. And the narrative that's come out of this is that the American middle class has been squeezed because China cheats. And therefore, the US administration is justified in imposing steep tariffs on China. I've analyzed this story for many years. Most of it is false. There are some elements of truth to some of the allegations, but let's just look at the trade piece for example. The US does have a large trade deficit with China, which has gotten a good deal smaller since the tariffs were imposed in 2018. But the plain fact of the matter is that the data from our own US Department of Commerce indicates that we have trade deficits in any given year with roughly a hundred different countries. We have a multilateral problem, not a bilateral problem with China.

The multilateral problem reflects the fact that as a nation, we do not save. And the economics are very clear—when you don't save and you want to grow you import surplus saving from abroad and you run a big deficit on your balance of payments and your current account to attract foreign capital, which is what gives rise to a multilateral trade deficit. You can't address the multilateral trade

deficit by starting a bilateral trade war. If you do that and fail to raise your level of national savings, then the deficit that you attacked through tariffs just gets diverted somewhere else. That's exactly what's happened—we've lowered our trade deficit with China because of Trump's tariffs, but the overall trade deficit has gotten considerably bigger because it's been offset by increased deficits with a large number of countries, such as Mexico, Vietnam, South Korea, and Singapore. We're shifting the Chinese portion of our trade deficit, to higher-cost trading partners, which tragically are putting pressure on American businesses and consumers.

Over the last 35 years, trade and growing business ties between our two nations has been the anchor of the US-China relationship but the Trump administration pulled up the anchor. That has backfired—it's based on bad economics and destructive politics. What worries me is that the Biden administration, by staying with the same policy of the Trump administration—the so-called Phase One trade deal that was agreed upon by the two countries in January of 2020—won't change this policy. My advice is to tear it up. That deal is a destructive deal and there's a better way to address our differences. It's an outgrowth of bad economics trying to fix a multilateral problem by reducing a bilateral trade deficit won't work. It won't work in theory and it hasn't worked in practice.

We did the same thing 30 years ago with Japan. In the 1980s, when we first had a trade problem and discovered that the biggest piece of the trade deficit then was Japan, we blamed Japan. And Japan made a number of mistakes in responding to US pressure that led to serious problems in the Japanese economy. Chinese leaders have studied the Japanese precedent and they know full well what we're doing by blaming China right now is almost identical to what we did in blaming Japan in the 1980s and you know America has a hard time facing up to its own responsibilities; it's much easier to blame others.

Henry Huiyao Wang: Actually, I can't agree more with your assessment. Using a bilateral deficit approach to tackle the multilateral deficit is not really the right approach. Since the trade war, we've seen trade with neighboring countries like Vietnam increase considerably. ASEAN became China's largest trading partner because there are a lot of goods that used to come out of China that are now coming from ASEAN countries, which also suddenly became China's largest trading partners. As you're well aware, this kind of deficit concept is not really analyzed scientifically because a lot of products were made in China and the price was calculated based on China, but China only charged labor costs and not services, which for the US is a huge plus. So, probably we haven't really got these numbers correct, whereas Trump's \$300 billion deficit with China was very widely spread. You're right that the idea of China taking advantage of the situation has been created, but I think it's time now we need a realistic assessment. We need to change that concept and really solve these key problems. Biden proposed a flat global corporate tax within the G20 and 130 countries agreed on that. Instead of a lot of companies making money overseas, maybe

they could return home to the midwest or rust belt states, rather than leaving their money overseas. The US government hasn't got a really effective policy to handle domestic issues and China has become a scapegoat. I think there are a lot of ways to solve these problems, but you are absolutely right, abandoning this tariff tactic is really important. During the pandemic, key US ports were almost paralyzed and huge containers from China could not be unloaded. China didn't make that crisis or future of crises. How can we gradually get out of this?

Stephen S. Roach: I express the view that on the US side, there are enormous political pressures on President Biden to stay tough on China. But leadership is tricky in the US. We have all these public opinion polls that seem to guide every step that politicians take, and yet, at the end of the day, leaders succeed when they have the courage to take tough steps that don't necessarily agree with the short-term polling results. So, if you ask me what President Biden should do, which is not something that he has asked me as I'm not direct in communication with his China team, but I certainly am known through what I write and how I speak, I think the biggest issues that need to be addressed are many of the tough structural issues that in fact were raised by the Trump administration that ultimately are important to the long-term competitiveness and prosperity of both countries. This includes things like innovation policy, technology transfer, subsidies to state-owned enterprises, cyber security, the monopolies and the issues that are addressed through outbound and incoming merger and acquisition activity, which are all really important issues where there is a good deal of disagreement between the two countries.

I would prefer to see us really focus on developing a framework to address the structural issues, rather than the bilateral trade issues, which are an outgrowth of our macroeconomic savings imbalances. And what I write about in my book that will be coming out shortly is a framework to address the structural issues by going back to the bargaining table and negotiating a bilateral investment treaty, which we were negotiating for about 10 years until Trump came into office in 2017 and stopped it despite being probably 90 to 95 percent of the way complete. A bilateral investment treaty is important because it focuses on economic growth of two partners who can increase access to each others' markets, provided that access is negotiated and underwritten by strong, legally binding agreements. I think if we can go back to that framework, we will be much more effective in resolving the major structural differences between our two economies, and do so in a pro-growth, win-win framework. A trade war is lose-lose; a tech war is lose-lose; a new Cold War is lose-lose. By staying with the framework that we've been engaged in for the last four years of the Trump administration, and the first 9 to 10 months of the Biden administration, we're going to stay in this condition of lose-lose. We've got to come up with a new framework.

Henry Huiyao Wang: Stephen, you have proposed some excellent ideas, including the bilateral investment treaty in 2016, which was almost signed. One of our senior advisers, former Vice Minister of Finance, Zhu Guangyao,

was coordinating G20 meetings at the Ministry of Finance and told me that it was almost done. He was prepared to make an announcement on television that we would sign the agreement before the G20 meeting in Hangzhou that year. We need a framework of engagement, but instead we see the US adding to its entity list even after President Biden took office, not only hurting Chinese businesses, but US businesses as well. The fact that China can't buy American semiconductors is actually a huge loss for the US and created a shortage of chips, which means that many automobiles and computers cannot be manufactured at the same pace as before. It has probably crippled the international semiconductor industry, which is harmful to the world economy as well as the US and China. Of course, the investment treaty is an excellent idea and we should really come back to that.

But aside from this, how do you think we can really work together? What new initiatives do you think could bring us together? Or what is the next big pie that all countries can have a share of? Last week, the EU announced the Global Gateway Program in which 300 billion euro is going to be spent on infrastructure. President Biden also passed a \$1.2 trillion infrastructure bill. China has been working on infrastructure through the BRI for the last eight years. For the next 50 years, this may be the biggest opportunity for the world to come together, to upgrade our infrastructure. Of course, there's also climate change and pandemic prevention—both China and the US have invested billions of dollars in vaccines and donations. The world's two largest economies should coordinate our efforts and find something with common interest of the world. The CPTTP is yet another possible driver—designed by the US and eyed by China with the Minister of Commerce putting the CPTTP agreement on the MOFCOM website to show Chinese companies standards they should shoot for. But the US has now abandoned CPTTP. In the end, the question remains—what are the biggest incentives for us to work together and avoid the “lose-lose” decoupling that you referred to?

Stephen S. Roach: There are a number of areas of mutual interest with global impact in which these two major powers have enormous incentives to work together. And I would just highlight three of them. You mentioned many more than that, but to me, the ones that are the most important are the ones that provide the greatest opportunity are global climate change, global health and cyber security. Of those three areas, the only area I can point to where we seem to be working together somewhat is climate change. At the COP26 conference there was a joint statement by the US and China that didn't really contain any new dramatic breakthroughs, but it did contain a joint commitment. That's exactly the type of thing you need.

Global health has been an enormous opportunity for the two countries to work together to deal with an absolutely horrible pandemic. But in the United States, we focused more on the debate on the origins of Covid and on blaming China for a global pandemic. This has prevented us from the type of collaborative research and scientific discovery and sharing of public health practices that we need to

really address this issue globally.

Cyber security is an area where we are nowhere in terms of really working together to address the major issues, whether they're ransomware or cyber related espionage or cyber hacking. This is a global issue, not just an issue in the United States or in China. It's an issue that affects all nations now operating in the cyber age of open architecture, and global Internet platforms. There is a lot we can do.

I would just say one other thing that I touched on in my book. Not only do we need a new framework to address structural issues, we also need to find a new way of managing the dialogue between our nations. I was very pleased to see that President Biden and President Xi had a virtual summit last month. But we need more than just two leaders sitting in front of computer screens every six months or having dinner together when they can travel again. I have proposed that the two nations establish a permanent secretariat staffed by a large number of high-level professionals from both China and the United States. They would work jointly in an office in a neutral nation—Switzerland for instance—working full-time on all aspects of the US China relationship, from trade and tariff issues to technology issues, to health, climate, and cyber. They would also develop joint proposals for policy and joint databases. They could also manage disputes that arise between the two nations over agreements that they have signed into law. This relationship is too important to leave to a meeting that takes place once a year or twice a year. Even before Covid, when we had strategic and economic dialogues, it was only once a year under Obama and twice a year under Bush—it wasn't not enough. We need a full-time secretariat to really raise the level of engagement to avoid conflict. That's an important part of the win-win conflict resolution prescription that I write about.

A Permanent US-China Secretariat

Henry Huiyao Wang: Sino-US bilateral relations are important, perhaps the most important bilateral relationship in the world. It does warrant a special office or special department to look at the issues—a full-time office coordinating all aspects of Sino-US relations with regular meetings—not just summits between the two Presidents—maybe on a regular quarterly basis. I absolutely agree that this is really important because the two countries' relations not only impact themselves, but also the world. If an office can really be set up to coordinate all aspects of bilateral relations, that would be great.

Stephen S. Roach: I want one office in a neutral country, where everyday Chinese professionals come to work alongside their American counterparts. They work together in one office, which is why I call it a secretariat. It's not two silos operating separately; it's an integrated approach to joint resolution of areas and issues of mutual interest. I think that would be far better than having the US side develop its own view, the Chinese side develop its own view and then they meet. I want them to be together on a full-time basis.

Henry Huiyao Wang: Something like a G2 office where the staff meet daily if not weekly. We really need to increase the frequency of the communication, dialogue, proposals and exchanges. This is not only true of the US and China, but also the world. It's a marvelous idea. Regarding areas of collaboration, I have one more question to ask. The US is now the world's largest digital economy, followed by China with 38% of GDP related to the digital economy. We're all digitalized, but a digital agreement still hasn't been reached and international rules and regulations on digital governance and digital infrastructure are still missing. How can we come together to set some standards to help the world and other countries to go digital – something like internet plus? You're absolutely right that we need to work together on cyber security, but how can we work on the digital economy? This includes digital payment. In China, we don't really carry a wallet or use cash anymore. We just use our phone. What about other countries? How can payment be made more efficient?

Stephen S. Roach: It's critical again that we think about the digitization of economic activity from a collaborative and a global point of view. As the world's two largest digital economies, this is my third area of mutual interest that I emphasized in my new book that would be of enormous potential for the United States and China to develop and work together. This requires the type of ongoing full-time collaboration that I alluded to earlier when I spoke about my proposal for a secretariat—we need to set up bilateral working groups that meet on a regular basis to examine areas like privacy and data security. I would say one of the most difficult areas that need to be addressed is the free flow of global information and this would be a very difficult issue for China, because of its strict regime of information control. Once you get into this area, you open up a lot of issues that are very important to all countries, but they also touch on some highly sensitive issues in China. I think this will be a very difficult issue for China to address, but it needs to be done.

Misunderstandings and Lack of Direction

Henry Huiyao Wang: We have two questions from the China News Agency. The first question is what do you think of the concept of re-coupling in China-US economic and trade relations put forward by the US trade representative Katherine Tai? Have the two countries really decoupled in recent years? The second question is, in your opinion, what is the biggest misunderstanding or misjudgment of China by some in the United States. Why does this misunderstanding seem to have deepened in recent years?

Stephen S. Roach: The new US trade ambassador Katherine Tai actually said very little on the Biden administration's China trade policy. She did give a long-awaited speech a couple of months ago, but it was not one that really broke any

new ground, nor did it really propose a new approach, and that was disappointing to me. The Biden administration promised a very careful review of Trump administration policy in the first six months of 2021 and when USTR Tai spoke – presumably after this review had been concluded—there wasn’t really much that she offered that gave me the confidence that this was a fresh new approach to addressing a deepening conflict. And as we’ve already talked about earlier, by keeping these tariffs in place at the level they are at right now, there’s enormous tax on American companies and on American consumers. It has diverted trade away from China toward other countries, but it’s done nothing to resolve the large trade deficit, which politicians fear is taking such a toll on American workers. The two nations have, over the years, become heavily dependent on each other. I’ve written about this for a number of years—I’ve called it co-dependency, where the US depends on China and China depends on the US. That condition still exists and while the trade war is unwinding this relationship, it’s still a very deep one and let’s hope that we can find a better approach.

In terms of the second question, the biggest misconception is the one that I addressed earlier – that the American middle-class has been led to believe incorrectly that it is suffering stagnation in real wages because of China. This view has been examined very carefully by a number of academics, including myself, and many academics have concluded that’s true. But with all due respect, I have to say they’re wrong, because of the simple point I made to you earlier. Just like with Japan 30 years ago, China is the largest part of a growing trade deficit.

But this is much more a reflection of America’s own problems of weak savings which is getting worse because of the big budget deficits we have, rather than a problem with Japan 30 years ago or China today. Yet the politicians in Washington who are responsible for our budget deficit would rather blame other countries for the problems they have created and that has led to a major misconception in the United States with respect to the role that China plays in affecting hard-working, middle class American workers.

Forecasts for the Future

Henry Huiyao Wang: We’ve covered a very wide range of topics from Sino-US relations to changes in policy from President Trump to President Biden, misconceptions and potential conflicts, as well as your new book *Accidental Conflict*. We also talked about what other areas we can cooperate in. You’ve provided an excellent analysis of China-US relations and we have truly benefited from your wisdom and insight. Your idea of setting up a special office where high-level officials from both countries can meet, discuss, and propose solutions can clear up misunderstandings and result in new proposals. This could reshape the narrative and identify real problems to tackle instead of blaming each other. What are your expectations for the next year, specifically in terms of the economic forecast?

Stephen S. Roach: I've been a forecaster for about 50 years and I spent the better part of my career on Wall Street as a forecaster. I got some right, I got some wrong, but I'm sure got more right than wrong because I never lost my job, which is something I can't say for most of my competitors. What I've learned is that every year is full of surprises. A year ago, we had a view of the world that certainly turned out to be much different than we thought was the case at the end of 2020. I think that looking out over the next year or so, we will be surprised at some of the changes that will occur relative to our expectations today.

We've talked a lot about the United States and China, and I think we both agree that this relationship is the most important relationship in the world and needs a lot of work. It's in danger right now. This is the worst that the relationship has been since the advent of the modern relationship began in the early 1970s when President Nixon and Henry Kissinger went to China. It is bad right now and so it is incumbent upon us to change that dynamic. If we don't do a better job than we have been doing, I think a year from now, we will be in a more difficult place and will regret the opportunity that we've squandered. This is an important juncture in the relationship between our two economies. The fact that we've built a lot of connections and businesses have benefited is not enough to keep this relationship on track. We have to do better and come up with a new approach. I've tried to discuss with you some of my thoughts and ideas, and I'm sure there are other ideas and other people who have thought about this differently, but we've got to put an end to this conflict before it is too late.

Henry Huiyao Wang: You have outlined these issues so well. The Sino-US relationship is the most important bilateral relationship today and will impact not only today, but next year, and the coming decades. The fact that this is the lowest point in half a century means we need to work together to restore a normal relationship and make it beneficial to both countries and the world. Thank you very much for joining us.

Stephen S. Roach: Thank you, Henry, looking forward to seeing you again in person.

China and Europe

While the United States and China are the most consequential of global powers, the influence and role of Europe as a historical power base and center for many of the world's global institutions, cannot be ignored. Its position in global trade, investment and finance are still central to global structures, while its leading role in the setting of global standards, from technology to climate and beyond, mean that its influence is still felt by the world.

Although European nations have taken a relatively backseat position vis-à-vis the US in terms of global policy and are often seen as passive participants in many global decisions, their role as a mediating and moderating force, especially in light of the recent conflict in Ukraine, is very important. The decisions that Europe makes in the coming decades, as the United States moves to step back its role in NATO and other global institutions, has put pressure on Europe to take a greater role.

Beyond the traditional trans-Atlantic relationship, Europe's relations with former colonies and with emerging markets is also very important. Europe's relations with China, in particular, are of key importance as China and the US continue to be at loggerheads over a number of issues. Europe has the opportunity to play the role of mediator and third party in what is increasingly being described as a bipolar power structure.

In this context, Europe is far from a marginalized part of the world that is past its prime, but has the potential to become an important part of a multilateral global order that emphasizes balance over power.

History at a Turning Point: Pandemic, Ukraine, and the Changing Relations between China, Europe, and the United States

A Dialogue with Niall Ferguson

Henry Huiyao Wang and Niall Ferguson

From globalist elites at Davos, to populists at the ballot box, people from all corners of the world are grappling with the key issues of great power relations between China, America, and Europe and their global implications. What can we glean from history to help us divine the future in the face of so many uncertainties in the world today?

In the following dialogue, CCG President Dr. Henry Huiyao Wang and historian Niall Ferguson discussed on the constantly changing relations between China and the United States and explored major global trends, Mr. Ferguson's concept of Chimerica and the closeness of the two countries as well as their respective models of governance.



Henry Huiyao Wang in dialogue with Niall Ferguson

Professor Ferguson is the Milbank Family Senior Fellow at the Hoover Institution at Stanford University and a Senior Faculty Fellow at the Belfer Center for Science and International Affairs at Harvard University where he served for twelve years as the Lawrence Tisch Professor of History. He is the author of 16 books, many of which are award-winning and international best-sellers. He has also won numerous books prizes and is currently writing *Life of Henry Kissinger*, the first volume of which was actually published in 2015—*Kissinger: 1923–1968: The Idealist* (Penguin Press)—which won the 15th annual Council on Foreign Relations Arthur Ross Book Award. He also wrote *The War of the World* (Penguin Books, 2012). In 2011, his film “Civilization: Is the West History?” won the New York Film Festival Prize for the best documentary.

Professor Ferguson was the Philippe Rome Visiting Professor at the London School of Economics in 2011, and a visiting professor at the School of Economics and Management at Tsinghua University from 2016 to 2021. He received an honorary-degree from University of Buckingham, Macquarie University in Australia and University Adolfo Ibanez, Chile. And he’s trustee of the New York Historical Society and the London-based Center for Policy Studies. Time magazine named him one of the “100 Most Influential People in the World”.

Current Events in a Historical Context

Henry Huiyao Wang: With the arrival of 2022, we have entered the third year of the Covid-19 pandemic and many have pronounced the end of globalization. This is combined with a drive in Washington to decouple from China, economically and technologically, as well as the Ukraine conflict, which has produced a rupture in the global energy and food supply chains, as well as the European balance of power.

With such a host of issues and challenges, how can history help inform and illuminate current choices and discussions? Professor Ferguson, can you share some insights on the key issues of the day?

Niall Ferguson: It’s critical time in history in so many different respects. I thought it might make sense just to reflect on at the non-transitory nature of the crisis we face. Transitory is a word that appeals to many people. It’s usually mentioned in connection with inflation. When inflation leapt upwards this year, many economists argued, including economists at the Federal Reserve, that it was just transitory. And of course, that turned out to be very wrong. And the predictions that Larry Summers and others made last year that inflation was going to surge up to levels we haven’t seen since the early 1980s, proved to be right.

Inflation, in other words, turned out not to be transitory, and I don’t think it’s going to go away in the way that the central banks forecasted. A lot of people thought the war in Ukraine would be transitory too. There were people who

published articles at the beginning of the war, in late February, suggesting that it would be over very quickly, because Russia would swiftly take control of Kyiv and overthrow the Ukrainian government. When that didn't happen, there were others who argued that Ukraine was going to win the war almost as quickly. And here we are, it's June, and there is no end in sight. So that war turned out not to be transitory, and it's hard to know just when it will end. And finally, of course, the Covid-19 pandemic, which has now been going for are close to two and a half years is far from over with data showing new variants manifesting themselves, and case numbers, hospitalization numbers and death numbers going up this very week in many countries.

I think the broad observation I would make is that in our time, we suffer from an attention deficit disorder. We want the new cycle to be two or three weeks, and then we get something new to think about. But history doesn't provide such short-lived events. And in each case, the economic shock, the geopolitical shock and the public health shock from the event is lasting longer than people were expecting. Indeed, each of these problems—the problem of inflation, the problem of war and the problem of the pandemic—don't actually seem likely, in my view, to stop any time soon, and may indeed start to feel like permanent features of life over the coming years. That's my introductory observation.

Henry Huiyao Wang: You've been watching history unfold in many aspects. To start, let's concentrate a bit on this pandemic. Your latest book, *Doom: the Politics of Catastrophe*, argues that disasters are often consequences of man-made social and economic factors and a political decision. Covid-19 has claimed many lives and, as a historian, you look at this in the long term, so what does the pandemic teach us in terms of international relations? In what ways has Covid-19 changed global cooperation, and what lessons we can take from the past? Secondly, we have the war in Ukraine and a resulting energy crisis, food crisis, and rampant inflation. I saw you in an interview with Larry Summers at Bloomberg where he talked about inflation reaching an all-time high. I hope that you can look at history and tell us what will unfold in the years to come. Mankind is at a crossroads and the question is how can we sail through this chaotic situation? We need wisdom and we need to look at history.

Niall Ferguson: I think the first thing to realize is that one crisis leads to another, sometimes to more than one other crisis, and this creates a kind of cascade, or avalanche, which takes people by surprise. When the pandemic first began in early 2020, many people didn't appreciate the enormous economic consequences of the non-pharmaceutical interventions—the lockdowns—that were recommended by epidemiologists and public health experts. That huge economic shock in early 2020 then led to massive fiscal and monetary measures to offset the costs of lockdowns. But these in turn had an inflationary consequence by 2021, when vaccines became available and the need for drastic lockdowns at least in the Western world, diminished.

Of course, sometimes disasters are unrelated to one another. I don't think one

could claim that the Russian invasion of Ukraine was connected in any way to the pandemic. The reality is that history, in many ways, is just one disaster after another, and you don't really have any way of predicting what disaster will strike next.

Interestingly, prior to 2020, many people thought that the problem of pandemics had been solved. My old friend, the Harvard psychologist Steve Pinker, wrote his book *Enlightenment Now*, that there really wouldn't be another pandemic because we had got so good at medical science and public health. I felt strongly that was too optimistic of a view, and that there was going to be, at some point, a new kind of respiratory disease or virus against which we wouldn't be well protected.

Now, compared with the distant past, for example the 14th century when the black death swept across the Eurasian landmass, we've made tremendous advances, not only in terms of medical science, but in terms of international cooperation between governments as well as public health agencies. Much of that progress in the 19th and the 20th centuries was fitful and far from perfect, but by the late 20th century, the World Health Organization certainly represented the best achievement in international public health cooperation in all of history. So, the big question becomes, why did our system perform much worse than it should have when Covid-19 manifested itself in early 2020? I don't think we have great answers to that question yet, partly because there hasn't been a thorough inquiry into the origins of the pandemic, not only in China but globally.

We also don't have nearly enough of an inquiry into why national public health systems did badly. The American public health system was supposed to be the best prepared in the world for a pandemic, and it turned out to perform really poorly, with over a million deaths attributable to Covid. So, I think the puzzle of 2020 and 2021 is that our international systems and our national systems did much worse than one would have expected on the eve of the pandemic. And I think it's extremely important that around the world, we really do dig into the causes of this disaster, because clearly this isn't the last pandemic. In addition to new variants of Covid, there will no doubt be some other form of infectious disease at some point in the foreseeable future. Because in the end, globalization, for all its benefits, created a vulnerability in that there has never been more international travel and such large volumes of people crossing borders at high speeds, which has made us highly vulnerable to any new infectious disease. That I think is the big lesson.

Henry Huiyao Wang: Human beings should work together internationally. With the unprecedented flow of people around the world, this pandemic and future pandemics really have to be dealt with internationally and collectively through multi-lateral mechanisms. The pandemic has been devastating and we don't know what's coming up next or what really happened in the past. We have to really cope with future uncertainty, but the world is really in a dangerous place right now. The Russia-Ukraine conflict is a man-made catastrophe, but regardless this may actually usher in a new era that is totally different. So, what do you

think about this? In a recent article about the collapse of history in the 1970s, you call this “historical energy”. With the economic and geopolitical shocks of today making the world more dangerous, what is your take on the current situation and what do you see the outcome being? Even though Russia is confronting Ukraine and probably indirectly confronting NATO, the US government is also targeting China in a larger context. We can see this in the recent visit of President Biden to Asia and the creation of the IPEF and Quad. But I also saw your article in Bloomberg talking about détente and appeasement. Maybe we should look at the wisdom that came out of the Cold War experience of the 1950s and 1970s. You draw a very interesting comparison there. Maybe you can elaborate on your ideas and tell our Chinese viewers more about your key messages in the Bloomberg article.

Niall Ferguson: I think it’s important to try to begin by understanding what exactly is happening in Ukraine, because I think a good deal of confusion has arisen. I’ve been to Ukraine many times. I’ve visited the country almost every year for the last ten years, and it’s been obvious to me for some time that Ukraine was in a very vulnerable position for two reasons. Firstly, President Vladimir Putin clearly did not accept Ukraine’s move westwards, not only with the discussion of potential NATO membership, but also the discussion of European Union membership. In his eyes, Ukraine was a historic part of the Russian empire, and he consistently questioned the legitimacy of Ukraine that effectively decoupled it from Russia and became integrated into the West. That was why, in 2014, Russia annexed Crimea and sent forces into eastern Ukraine to help separatists establish control of Donetsk and Luhansk. It was in response to a political crisis in Ukraine when then President Yanukovich turned away from the possibility of European negotiations and triggered a revolution, which in turn led to the Russian intervention. This story goes back years, not just 2014, but even further back to 2008, when the idea of NATO membership for Ukraine was first discussed.

At the same time, I think it’s clear that the West are offering Ukraine the worst of both worlds. It offered the possibility of NATO membership that which clearly was regarded by Russia as unacceptable, but it didn’t deliver on that promise, which was really the worst possible combination. I agreed with Henry Kissinger when he argued in 2014 that it would be better to take NATO membership off the table and construct an alternative security arrangement for Ukraine on the basis of neutrality.

Ultimately, I think the West failed to provide sufficient support for Ukraine in recent years to deter Russia from an invasion. There were significant armed shipments to Ukraine, but they fell away after 2018. And it seems to me that one of the lessons here is that if you’re not capable of making a country like Ukraine well enough armed to deter an invasion, then an invasion is quite likely to happen. I think now the West, led by the United States, has committed itself to preventing Ukraine from losing the war, but it’s not clear to me what exactly that looks like. We have now entered a new phase of the war. Russia failed to

capture the capital Kyiv and is now engaged in a war of attrition in the Donbas region. But from where I'm sitting, it looks as if Russia is winning that war, partly because of the very heavy casualties that Ukraine is suffering. I think there's a very urgent need to think of ways to end this conflict before Ukraine is permanently and seriously damaged. As an economy, I don't think it can be in the interests of the Ukrainian people for this war to go on interminably, but unfortunately, there's every sign, at least from where I'm sitting, that the war can drag on through the summer and even into the winter, at which point Russia's leverage over European countries grows because it is in the winter when the full cost of sanctions in terms of cutting off Russian gas and oil from Europe, will become apparent.

The last thing I want to focus on, though, is the role of China in this crisis, which I think is crucial in two ways. First, let me be clear. I can't believe that President Putin would have gone ahead without at least tacit, if not explicit approval from the Chinese leadership. And this is an extremely unfortunate aspect of the crisis. The second point is that in response the Biden administration seems to see the war in Ukraine primarily in terms of its relationship with China. There are clearly people in Washington who see their support for Ukraine as a signal to Beijing. See Ukraine, in effect, as a proxy in what I've called Cold War Two. The goal of US policy, in the eyes of at least some members of the administration, is to deter China from taking a military action with respect to Taiwan. In my view, the strategy is a dangerous one in two ways.

First of all, it's not clear to me that it works. Extending the war causes all kinds of disruption, including creating an inflation problem for the world. I don't think it really has a significant impact on the way the Chinese government thinks about the Taiwan question. Secondly, I think it's extremely dangerous for the United States and China to go down a collision course over the question of Taiwan. If this is Cold War Two, which I believe it is, with China, as it were, taking the place of the Soviet Union, then the Ukraine War is equivalent to the Korean War in 1950. If so, the next stage in Cold War Two would be an equivalent to the Cuban missile crisis. Remember in 1962, the world came extremely close to World War Three over an island, and I think we would be running a very similar risk if there were a US-China confrontation over the island of Taiwan.

So my argument is, let's learn a lesson from the first Cold War, which is that detente is better than confrontation. I would argue that it would be preferable to fast forward and avoid the Cuban missile crisis in our time, and accelerate the Cold War cycle by going straight to detente and get more quickly to a period when the two superpowers focus on reducing tension, slowing down the arms race, and avoiding the kind of confrontation that would carry with it the risk of World War Three. This is an extremely important point in my mind, and it's one that I'm trying my best to communicate, not only to people in Washington, but also, I hope to people in Beijing.

From Chimerica to a New Cold War?

Henry Huiyao Wang: You've given a very clear perspective about how the Ukraine war came about and I think there are a lot of valuable lessons to be learned. You also mentioned the danger of the current situation leading to a new Cold War. I have one disagreement. I'm not sure that the Chinese leadership knew about this beforehand, because there were good words exchanged during the virtual summit with President Biden and President Xi, but when he boycotted the Beijing Winter Olympics, Putin suddenly comes out and says he's coming and will support in a big way as a major power. I don't think we were really aware, because China was the last country to pull its citizens out of Kyiv and some were almost killed. If they knew there was a serious attack like that, they would have pulled them out earlier.

Other than that, your argument that a Cold War is coming also makes a lot of sense and, even if the Russians are involved, more countries could be targeted by the US. Secretary Blinken gave a speech recently that the US has to invest, align, and compete with China. That is the kind of framework they're building right now, but you're right about détente, which is a really great concept. We should really revisit the wisdom of Reagan and Gorbachev. While Biden doesn't see many problems in midterm election coming up, Democrats are probably facing a huge challenge and may lose both majorities.

Other issues are tariffs, which are contributing significantly to US inflation and, according to some think tanks, could be 2–3%. This trade war doesn't make any sense. Taiwan is another hot spot and probably, and if we are not careful, could be another Cuban Missile Crisis that could lead to World War Three. These are historical lessons and you're correct in reminding people from both the East and the West of potentially dangerous outcomes.

Also, I'd like to note that you've written a biography about Dr. Henry Kissinger, who said we are in the foothills of a Cold War. How do you think we can get out of this dangerous situation? How can China, the US and the EU safeguard the multilateral system and peacefully coexist together? Of course, we have differences in terms of values and governance, but that doesn't have to lead to conflict. I recently saw the Chinese Defense Minister had answered eleven questions at the Shangri-la Dialogue where he met his counterparts from six different countries. It's good to see some high-level dialogues now, which include a recent meeting between Chinese top diplomat Yang Jiechi and Jack Sullivan. So, from your perspective in the UK where you can see both sides, how do you see China and the US getting out of this very dangerous situation?

Niall Ferguson: I think that the lesson of history is that, and this was an argument my old friend Graham Allison made several years ago, is that a rising power and an established power are quite likely to come into conflict. This is one of the patterns of history. The interesting thing about the relationship between the US and China is that it went through a period of being relatively harmonious and cooperative, the era of what I call Chimerica. But then, quite quickly, Chimerica,

the partnership between the US and China, which was mainly economic in its nature, began to crumble and was replaced by something that looked and sounded a lot like a Cold War. Now, when I first made this argument in 2018, not everyone agreed. This was partly because they'd forgotten the true nature of the first Cold War, which George Orwell defined in 1945 as a peace that is no peace. There isn't an outright world war, but the two superpowers engage in all kinds of indirect conflict. The nuclear arms race was the most obvious example of the first Cold War, but there was also a space race. A Cold War is a technological competition, but it's also an ideological competition, but it also has a classic territorial aspect where the two superpowers seek to have spheres of influence, or reach, far abroad in search of support.

If one compares Cold War One with our present situation, the truth is that we now have most of the characteristics of a Cold War, and I think it's important for both sides to recognize this. Part of what made the first Cold War dangerous was that there was no precedent. I don't think people fully understood the risks that were being run in the early phase of the Cold War. The Korean War was a very risky moment. There were serious debates about whether nuclear weapons should be used against China by the United States. In the Cuban missile crisis, in 1962, a Soviet submarine came very close by almost firing a nuclear torpedo at American naval vessels, which we really would have triggered a World War.

So, the lesson of history is, when you're in a Cold War, it's good to recognize that and not be in denial about it. It's also good to recognize that Cold War is better than World War Three. The most important thing is to manage the relationship, manage the technological competition, manage the ideological competition, to avoid escalation to outright World War. That's the critical lesson, I think, of the first Cold War. And you have to give quite a lot of credit to Henry Kissinger and the presidents that he served, Richard Nixon and Gerald Ford, who did a great deal to relax relations with the Soviet Union, and of course, began the process of building a diplomatic relationship between the United States and China, beginning with Kissinger's secret trip to Beijing in 1971 and Richard Nixon's visit to China 50 years ago. From my vantage point, I would far rather that we tried to revive some of that spirit of detente, because it seems to me that the alternative is an increasingly a competitive, combative and ultimately conflict-oriented relationship, which will have more than one flash point. It's not just about Taiwan. It's also about the South China Sea. Listening to Anthony Blinken's recent speech, almost every issue was mentioned in that speech, including Hong Kong and Xinjiang. The administration seems to be on a collision course, and unfortunately, one hears somewhat similar rhetoric from the Chinese side. My message to both sides is that you really do not want to replay the Cuban missile crisis over Taiwan. Nobody would benefit from such a risky escalation. Far more important, I think, at this point, is to seek a new era of detente and to revive the kind of communications and strategic dialogue that the US and China used to have.

Let me add one more point. It's come as a great surprise to many people, including in China, that Joe Biden's administration has in some ways been more

combative towards China than President Donald Trump's. Trump was interested in a trade war. He wasn't really interested in any other kind of war. And my sense is that if he'd been reelected, we would probably have seen negotiations about the tariffs by now. Ironically, Joe Biden ran against Trump, partly arguing that he would be tougher on China than Trump and he's followed through since being inaugurated by pursuing a policy that I think authentically is tougher. Why the Democratic Party wants to persist with Donald Trump's tariffs has never been clear to me, because they opposed them at the time that they were being imposed. There's something a little odd here about the way in which the US administration is proceeding. And considering the inflation problem that the Biden administration faces, it would seem to me perfectly obvious that a smart step in the right direction would be to start discussing how to reduce the tariffs and bring to an end a trade war that, it must be said, did not achieve terribly much, even in its own terms.

Henry Huiyao Wang: Absolutely. You've given a very good analysis of the dangers of a new Cold War we've been seeing more and more now. Many people in China assumed that when President Biden took office, things might be more relaxed since he is an old friend of President Xi. Biden has been here a number of times and they've had many meals and meetings together. He understands China. But in the end, it didn't end up that way and he's working even more systematically to contain and encircle China. This makes people wonder what's going on.

You mentioned historical lessons and we probably really should visit the wisdom of Dr. Kissinger and President Nixon. This is the 50th anniversary of Nixon's visit to China and we just recently had another televised event about Kissinger's 99th birthday, with top diplomats and think tankers from both China and the US. I think that we should take a realistic view. China and the US are the number one and number two economies in the world and have a moral responsibility. I've been discussing this with the Graham Allison, Joseph Nye and Larry Summers and they all feel we shouldn't have a Cold War. Nobody wants a Cold War. We have competition as well as cooperation, which Graham called cooperative rivalry. Can the US and China really achieve this?

A few years ago you mentioned Chimerica which was a very popular name—300 million Chinese migrant workers married with 300 million consumers in the US. We assumed this intertwined ecosystem would last forever, but then, unfortunately, things started to change. How can we really get back to this? The world is really facing all kinds of risks like possible famine with all the food prices going up and China's energy being 70% depending on imports and oil is at an all time high.

We really want to see China and US get along and manage their differences. There are problems, but we shouldn't go to the extreme of containing each other or pushing up the military budgets of countries in the region. This is really concerning because of how vulnerable the world is. We can't afford the US and China not working together. As a historian familiar with China, I'd like to

hear from you on this as well.

Niall Ferguson: I think one of the key lessons of detente is that it takes two to tango. Both sides need to be ready to make concessions or it's simply not going to be meaningful. By the late 1960s and early 1970s, the cost of the arms race was becoming a major problem for both sides, and indeed, it was a heavier burden for the Soviet Union, with its relatively smaller economy. I think the United States and China each need to look long and hard in the mirror and ask, what exactly is it that we're trying to achieve here? I've already said why. I think it's strange for the Biden administration to pursue such a hawkish policy towards China, particularly since part of it originated with the previous administration. I think at the same time, the politicians in Beijing need to ask whether wolf warrior diplomacy was really the way to go in communicating China's views to the rest of the world. In my most recent book, do I argued that much of what Chinese diplomats said and did in 2020 was deeply unhelpful to China itself by alienating European and other countries. The tone of Chinese diplomacy has become rather shrill in recent years and I don't think that was helpful. I think to state it forthrightly, ambitions are geopolitical and dominance helps in no way, because this only fed the suspicions of Americans and others that China is aspiring to world domination. I don't think that is the goal of the Chinese people, but it sometimes sounds like the goal of the Chinese government. There won't be an era of detente unless both sides dial back the rhetoric and slogans that we currently hear.

As you suggested, they have all kinds of reasons to cooperate. Most people talk about climate change in this context, but that's only one of many things that the US and China need to cooperate on. Public health is one we touched on earlier. One of the reasons that US Chinese relations have deteriorated is mutual mistrust over the question of the origins of the Covid pandemic. And then we have the big economic questions. With less globalization, more decoupling, the bigger the inflation problem becomes and nobody really wins from a world in which we drive inflation up towards double digits. You mention the danger of famine in large parts of Africa as a result of the destruction caused by the war in Ukraine and the sanctions. It's in no way in the interests of the United States and China for the poorest part of the world to descend into the kind of instability that we've seen in the past. So it seems to me that there are eminent practical reasons why Washington and Beijing should be talking more.

The first step is to try to put aside the Cold War rhetoric and learn the language of detente again. That's one reason that I'm motivated to write the second volume of my Henry Kissinger biography, to remind people that detente was not a naive policy. It was not that Richard Nixon deeply trusted and loved Leonid Brezhnev. Nor for that matter, did Henry Kissinger regard Zhou Enlai as his best friend. These relationships were based on an understanding of mutual interest, and I think that should be the basis of a new era of detente. As I said, it must be preferable for the two sides to talk about their common interests, then for them to use a high-flown rhetoric and ornaments programs to move us down

the road towards a confrontation over Taiwan. And let me remind those listening that when my good friends Robert Blackwill and Philip Zelikow studied the issue of what a conflict over Taiwan would look like in a recent paper for the Council and Foreign Relations. One of the obvious points that they made was this would be absolutely economically disastrous, quite apart from the disastrous military damage that would arise. So, I think it must be the case that both sides need to change their attitudes before we get ourselves back into such a perilous situation as the world found itself in back in 1962 over Cuba.

Acceptance of Different Models of Governance

Henry Huiyao Wang: That's excellent advice and we should really get together to talk about it. I think the pandemic has also accelerated this kind of isolation, mistrust and decrease in communication. The Indonesian ambassador has expressed his hope for a successful G20 meeting this year and we hope that this meeting of top leaders will truly accomplish something. But you're right that every country has its own views and third party international organizations through the multilateral system can really glue things together. We really need to upgrade and reinforce the global system.

The Chinese economy has faced many challenges in the midst of Covid, while the US is experiencing historically high inflation and stagnation. With all these headaches at home, we should not busy ourselves with things outside the country, which is something I think about a lot because China has such a different system. China has 5,000 years of history and culture, and generally follows a principle of collectivism with values that emphasize seniority, family, education, and hard work, whereas I think Western culture, since the Renaissance, has emphasized individualism and freedom more. From an historical point of view, despite these different values, systems and ideas it seems that we peacefully coexisted. Joseph Nye told me that maybe by 2035 or 2040 things will be okay. China is China—this is a fact we have to accept. China has lifted 800 million people out of poverty—alleviating 70% of global poverty—while also contributing to over one third of global GDP growth and becoming the world's largest trading nation. Even though China has a different system how should the West ultimately accept it and find a way to recognize it, not just as a country, but maybe as a way of life and of governing? So there it is—a bit of more a philosophical question for you.

Niall Ferguson: Well, I think the lesson of the First Cold War is that in order for there to be detente, there has to be a kind of mutual tolerance of difference in domestic political institutions. There shouldn't be an aspiration on one side to make the entire world in its own image. Ultimately, each side thinks it has a superior system, or at least the appropriate system for its own conditions. I think that's the starting point for detente, focusing on international interests and leaving domestic politics pretty much off the table. The only reason that you end up with arguments about domestic politics, I think, is if one side believes that the

other side is engaged in espionage or other activities that, in fact, intrude into the domestic politics of its adversary.

So, I think there's a fairly clear way forward. I don't think it's likely that Americans will stop criticizing the ways in which Hong Kong's new National Security Law operates, or the ways in which the Uyghur population is treated in Xinjiang. I'm sure we'll continue to disagree about the status of Taiwan. Those things, I think, are not going to change, but it seems to me we could learn from 1972 how to agree to disagree. That was the essence of how Kissinger and Zhou Enlai dealt with the problem of Taiwan, ushering in half a century of what became known as strategic ambiguity. It seems to me one of the worst ideas of the last few years in the United States was to get rid of strategic ambiguity. And when Richard Haass first suggested that in 2020, I was quite shocked, because it seems to me that it's worked pretty well. Why change something that has stood the test of five decades?

Philosophically, I think each of the two superpowers has a completely different approach to politics, which is historically based. We should accept that each system has its problems. Nobody could pretend that American democracy has worked with perfect smoothness in the last few years, but nor could anybody claim that the Communist Party of China (CPC) has done an awesome and perfect job of governance in China. Both countries have problems. In the United States, we have the highest inflation since 1982 and in China the lowest growth since the 1970s. So I think both sides have reasons to be conscious of their own shortcomings. Nobody can claim to be perfect in this debate, but as I said, the most important thing in foreign relations is not to criticize the domestic politics of the other side, but to find common ground on global issues that are most urgently needed to be addressed.

Normally people put climate change first, but some might put public health first. In my view, the one obvious lesson of the war in Ukraine is that war is the biggest disaster. War is the disaster you want to avoid. That's the thing that shortens lives most ruthlessly and causes the worst damage and disruption. So, the top priority for US-China relations has to be to come to terms with the fact that we're in a Cold War and make sure it doesn't turn into World War Three. And there are some extremely important lessons we can learn from the era of detente in that regard.

Henry Huiyao Wang: That's a great message and I think detente would be a really good direction, especially looking back at the wisdom of Doctor Henry Kissinger and President Nixon as we're celebrating the fiftieth anniversary of Nixon's visit to China. As you're writing a second biography of Doctor Kissinger, a brilliant figure who just celebrated his 99th birthday and remains so clear minded, maybe you can tell us a bit about how you went about writing this book and what can we expect when it comes out? I'm sure it'll be a best seller in China, so maybe you can maybe disclose a little bit what you're working on.

Niall Ferguson: I've written the introduction in four chapters. That probably

means I've got about sixteen or so more chapters to write, so I have a lot of work still to do. I hope very much that I can get the book finished for his hundredth birthday next year and have it published soon after that. Needless to say, this volume contains the critical events that we've been talking about, in particular, the opening of China and Richard Nixon's visit to Beijing in 1972. I think from the point of view of US China relations, it really repays a return to the primary sources. I'm working my way through tens of thousands of documents from the period, trying to piece together the origins of the improved relations between the United States and China. And I'm hoping that the publication of the book will remind people of just why it happened, and how important it has been for the United States and China to have a relationship and to be in dialogue with one another. As I said, this is not about naivety. Doctor Kissinger never pretended, as some people believe, that China would magically turn into a Western style democracy and it was always understood the extraordinary power of history in shaping the political differences between nations.

I'm hoping therefore to get this book out as soon as possible, because I think it's urgently needed. We've forgotten, in all the upheaval of the pandemic and the most recent upheaval caused by the war in Ukraine, we've actually forgotten the dangers of the Cold War, namely the risk in any cold war that it becomes a hot war. And that, I think, is the thing that I'm most struck by, is I read the documents from the early 1970s. Dr. Kissinger and his colleagues saw clearly how catastrophic it would be if the US-Soviet relationship escalated into World War Three. We've forgotten how catastrophic it would be if the US and China went to war. It would be as catastrophic in terms of the military and economic, as well as the human damage that would be caused, so if I can do anything to remind people of how dangerous the downside is, then it will have been worthwhile to write this very lengthy and detailed biography.

Henry Huiyao Wang: You're right to highlight the wisdom of Dr. Kissinger. 50 years ago when he came to China and reopened US-China relation with President Nixon and changed the world as well as the destiny of those countries. I'm sure that your book will be a very timely and prudent reminder of how the world is entering another dangerous phase and that detente should be seriously revisited. Richard Nixon and Doctor Kissinger should be reevaluated as we really need people who are alive today that witnessed both centuries.

You've done such a great job of summarizing and analyzing this part of history as well as the future and you've given us a lot of food for thought. Do you have any last words you'd like to share with us?

Niall Ferguson: Very briefly. I think it's extremely important that we have conversations like this through the unofficial channels of academia, including a discussion about where the US-China relationship goes from here. It seems to me that in the last few years, there's been more and more conversation within the United States about China, or within China about the United States. In the end, we need to talk across the Pacific. We need to talk in ways like this. And I

hope very much that it won't be too long before we can get off zoom and be once again in the same room as one another, whether in Beijing or somewhere in the United States.

Henry Huiyao Wang: I hope that once the G20 leaders can travel, the whole world can be lifted out of this state of isolation. I really appreciate your time and look forward to seeing you again in Beijing.

China, Germany, Europe in an Uncertain Time: a Conversation on the Intersection of Diplomacy and Business

A Dialogue with Wolfgang Ischinger

Henry Huiyao Wang and Wolfgang Ischinger

In a world where the US-China relationship has become increasingly contentious, both in terms of trade and ideology, countries around the world have been forced to reassess their relationships. China's central role in the global economy and its relationship with European countries is especially strategic in this process and will influence the future of international relations and global business.

In this dialogue between CCG President Dr. Henry Huiyao Wang and Ambassador Wolfgang Ischinger, the discussion revolves around the future development of China-EU and China-Germany relations in an uncertain global environment and their impact on both global diplomacy and business, specifically between Europe and China.



Henry Huiyao Wang in dialogue with Wolfgang Ischinger

Ambassador Wolfgang Ischinger is the President of the Munich Security Conference Foundation Council. He served as Chairman of the Munich Security Conference (MSC) from 2008 to 2022. Under his leadership, the MSC grew to more than 70 staff members and increased its budget to more than 15 million Euros, funded via corporate partnerships and international sponsors. Before his appointment to Munich Security Conference, he was a Global Head of Government Relations at Allianz SE for six years and served as a supervisory board member in different companies. Previously, he served as the German ambassador to the United States as well as to the United Kingdom and was deputied to the Foreign Minister in Berlin. He earned a MA degree from the Fletcher School of Law and Diplomacy and did postgraduate work at Harvard Law School, Cambridge/USA. The Economist magazine once described him as Germany's best connected former diplomat.

Defining and Strengthening Relationships

Host: Today's virtual discussion is on China, Germany and Europe in an uncertain time, a conversation on the intersection of diplomacy and business. We will focus on the future relationship between China and Germany against the background of the fifty-year anniversary of the diplomatic relations between China and Germany in 2022, and President Putin's war against Ukraine, which has had tremendous global economic consequences. One question is whether, how and under what circumstances economic ties between the EU, Germany and China will be deepened.

Dr. Wang will begin the discussion with Ambassador Ischinger as a dialogue and afterwards, all our participants will have the chance to raise questions to Dr. Wang or to Ambassador Ischinger.

Henry Huiyao Wang: It's such a great honor to see Ambassador Ischinger. As we all know, you've been leading the Munich Security Conference for fourteen years, making it into a very important global platform that has promoted peace and security. I remember the last time when we had an in-person MSC meeting, you were trying to build peace between Armenia and Azerbaijan. People were saying that you should be given a Noble Peace Prize for all the great contributions you've made. The Munich Security Conference is important not just for security, but for all of the important global issues, such as climate change, public health and sustainable development. It is really great that today we have people attending this event who are really concerned about what has been going on in global development. I know that you just came back from a trip to the US where you met with Dr. Kissinger, who is already 99 years old, and pioneered diplomatic relations between the US and China for half a century.

China, the EU and Germany have developed very strong economic ties since Chancellor Scholz came into office and President Xi has already had three

virtual conference calls with him, which shows the importance of these bilateral relations. In 2016, China became Germany's largest trading partner, while Germany is China's largest trading partner in the EU. In 2020, the trade volume between Germany and China reached over 210 billion and last year it nearly reached 250 billion, an increase of about 15%. Germany has also invested the most in China among EU countries. Over 5,000 German enterprises are operating in China, with almost 10,000 investment projects totaling \$19 billion. This is a tremendous relationship. What do you think about current economic relations between China, the EU and Germany? And now with recent new developments and geopolitical tension due to the Russia-Ukraine War, how can we really steer through this complex situation and continue this cooperation?

Wolfgang Ischinger: During my tenure over the past fourteen years, the Munich Security Conference has taken pride in having secured a trustful relationship with the Chinese leadership. It was important 20 years ago to get senior Russian participants in Munich, but I think it was even more important that recently we have regular participation by senior Chinese leaders. As one Chinese curse says "May you live in interesting times" which is actually to say the uninteresting one is better. But before I comment on that, let me just briefly talk about the Munich Security Conference.

It's true that I've been running the conference and been responsible for its management for the last fourteen years and I want to make sure that everybody who participated in this program understands that I am now not "deserting" or "escaping". Actually, I'm still on board. The transition, which is currently underway, means that I'm going from a management role to a supervisory role and I will stay with the organization as the chair of the foundation board. The Munich Security Conference belongs to the foundation, and I'll continue to be personally involved, in particular with regard to our major partnerships and outreach programs.

I was delighted when, some years ago, the Chinese Foreign Minister personally took me aside at his first appearance in Munich and said, "Ischinger, for China, the Munich Security Conference is important. This is why I want to assure you that we will always show up with senior spokespersons at your event. China takes this very seriously."

I was delighted, because after Foreign Minister Wang made this remark, I knew our relationship was untroubled. We seemed at the time to have a perfectly harmonious perspective going forwards. Currently, we really live in the interesting times. We don't know when and how a war which is currently ongoing in our neighborhood will end. We're worried about how this aggression will affect the totality of our relationship and that brings me completely to the points you raised.

One of the immediate lessons that Germans have drawn from what has been happening in Ukraine recently is that we were apparently too naive about many things—one of which is our energy dependence on Russia. The German mainstream for the last 50 years thought that it was a good idea since oil and gas

from Russia was available, cheaper and seemed totally reliable. That's why we supported things like the building of pipelines and so on, which had worked quite well even during the difficult times of the Cold War. We thought that this energy relationship was more or less untouchable and it would not be affected by the turmoil of international conflicts.

We now have to learn that it is actually not a good idea to have 30, 40 or 50 percent of your energy requirements coming only from one source. We are re-learning the lesson that it's important to diversify your suppliers if you can. This is of course a very urgent mission for our relationship with Russia, because we are being accused by our own public and by others of buying Russian gas. We're actually financing Russian aggression against Ukraine. That's a bitter complaint. And we need to get rid of that.

Now why is this important in the relationship with China? Because, over the last few decades, the German business community has made itself far more dependent on China than on Russia. Major German automobile manufacturers, for example, sell more automobiles or build more automobiles today in China than anywhere else in the world. Up to 40% or so of their overall activities have to do with China. So, now people are trying to figure out what our companies should learn from the debacle and the difficulty that the war in Ukraine has created for our relationship with Russia.

Do we need to diversify our relationship with China? Is it healthy? Or is it going to be a future problem, if at least important elements of our business community are so dependent on their relationship with China? In other words, we are not yet in a German- or European-Chinese crisis, but the fact that there is a growing degree of reflection and a growing degree of skepticism due to such extensive dependencies is good.

One of the catchwords in our conversation is de-globalization which means bringing production back home, among other things. Personally, I don't think that works for a country like Germany which is so totally export-dependent. But I do understand that political leaders and business leaders are now trying to think hard about ways to reduce their exposure to outside factors, including this important relationship with China. That's the first point I want to make.

I also want to make a brief second point, which has to do directly with Ukraine. When the Chinese foreign minister spoke virtually in February at the Munich Security Conference, I was able to ask him a straightforward question: "What about China's support for territorial integrity, for the sovereignty of Ukraine?" The foreign minister answered affirmatively: "Yes, of course, China supports the territorial integrity of Ukraine, just like China supports the territorial integrity of all other countries. That's the principle of the UN Charter." The question I'd like to raise, and I think I know the answer, but I'd like to raise this for our discussion, is why has China not decided to climb down from the fence on which it has been sitting in this Ukraine conflict? I understand that China has not taken decisions to provide military supplies to Russia, but China has not used its tremendous power, as far as I can see, to exercise a little bit more pressure to influence Russian thinking in terms of ending this war early.

All the repercussions that this war is creating and will continue to create, are carrying negative consequences to the international order, which is something China needs to uphold. China has a global outreach. It has business connections, economic connections, energy connections around the world. You need to order just as much as we do. You are interested in maintaining a functioning United Nations system and an international system that is rule-based, reliable, and that will provide peace, not conflict.

So, when I look at Chinese interests, including Chinese interests in the South China Sea, and with respect to Taiwan, I would think that this war conducted by Russia against Ukraine is actually not be in the Chinese interest at all. It is strengthening the global role of the US. It is strengthening NATO and China doesn't like NATO. Many statements have been made by the Chinese leadership about NATO. My question is why China doesn't demonstrate to Europe that China is actually on our side. China wants peace and China should talk to the Russians about the wisdom of ending this war rather sooner than later, in order to go back to business and to go back to a more harmonious relationship.

So, explain to me why China is not using this opportunity. I think the Chinese reputation among European elites would change quite dramatically if China came across as a power of conflict resolution rather than sitting on the fence. Sorry for speaking so long, but that's the kind of question that I've been pondering in my own mind.

Henry Huiyao Wang: There are two things I want to say. As we all know, China has a strong relationship with Germany and both are important trade partners. We have a lot of common ground in safeguarding the global trading system and multilateralism, just as you mentioned. We also want to promote the comprehensive agreement of the investment treaty between China and the EU. I know that President Xi, President Macron and Chancellor Scholz mentioned quite a few times that they want to promote a comprehensive investment agreement. Regarding the Ukraine crisis, you're also right. You are a good friend of Mr. Wang Yi. When you were hosting the Munich Security Conference in February, he said very clearly that China respects every country's sovereignty and territorial integrity, Ukraine is no exception. It also applies to China's own interest. China does not want anyone to infringe on the sovereignty or territory of others. Many people in the international community may have not read China's message correctly. President Xi spoke with Macron, President Biden and even President Putin after the war broke out, saying that he would like to see a peaceful end and that violence doesn't work and should not work.

I think that China has made it clear that it isn't in favor of war. China respects other countries' sovereignty and territorial integrity. The Chinese ambassador to Ukraine said that China will never attack Ukraine. President Xi also told President Biden and Chancellor Scholz that China would like to work with the international community to mediate this crisis and promote a peaceful end of the war. I even wrote an op-ed in The New York Times to argue that China might be able to offer Russia an offramp in this crisis.

The only difference is that China doesn't want to see sanctions. President Xi told President Biden that China and the US are the world's two largest economies, and we should be responsible for the state of the global economy. We don't want to see a recession on top of the pandemic and the Ukraine war. 70% of China's energy comes from imports and the energy crisis caused by the Ukraine war is going to cost China hundreds of billions, as is the food crisis. I think China would like to work with the international community. Why couldn't Germany's Chancellor Scholz, France's President Macron and China's leadership and US leaders have a new Minsk Moment or Seven-Party Talks. I was glad to see the UN Secretary General visit both Ukraine and Russia, and the Chinese Foreign Ministry Spokesperson tweeted in favor of the Secretary General's visit. Here's a brief look at China's stance: China doesn't like war. There are over one thousand Chinese companies now being sanctioned by the US on a regular basis, which is really what pushed China to Russia to some extent. China wants to work on it and I think the Munich Security Conference could invite seven parties to talk. So as far as I know, China would love to see a peaceful end of this crisis and does not favor the Russian Ukraine war.

Ambassador, you've been a champion of multilateralism, peace and prosperity over the last two or three decades and indeed for the last fourteen years. I know that Germany and France have always sought European strategic independence. I remember when you were hosting the 2021 Munich Security Conference and Dr. Miao, then as an MSC young leader raised the question at the Munich Security Conference to the UN Secretary General. At that time, both German and French leaders all mentioned China, saying they would like to cooperate. The French, in particular, want some kind of strategic independence for the EU. Would the war in Ukraine totally change the situation? I still remember that in the last few years of the Munich Security Conference, of which CCG has been very honored to be a partner, there was talk of the EU and European countries acting as mediators between China and the US. We were thinking that maybe we could have a Tri-Party Talks. Unlike the US, the EU doesn't have a territorial dispute with China. Geopolitically, we are so friendly. So what do you think about the trilateral relations between China, the US and the EU? How can we really work together? Maybe the EU can play a positive role in terms of bringing the two parties together like a modern "Romance of the Three Kingdoms". How can we do that? I think the Munich Security Conference could lead that.

The Role of the EU as a Mediator

Wolfgang Ischinger: That's a great question and a great challenge that you were throwing out. Let me just offer a very blunt response. My impression has been that, especially since I just spent a few days in the United States, speaking to various senators and administration people and so on, that China and the United States are mutually obsessed with each other. Americans are obsessed with China, whom they regard as their historic, current and future rival. And China, in

my humble opinion, is also being drawn into this voluntarily or being pushed into it by the United States.

I think that it is difficult for China to take sides in the Ukraine situation in a way that would actually lead us to believe that China is now siding with the United States. That's not what your leadership wishes to create as an international perception. Because of the sanctions which you mentioned and other difficulties and areas of disagreement and conflict between China and the United States, I think personally, this is really a pity.

I wish that China could think about Ukraine without thinking of the United States. And I wish the United States could follow the advice which Dr. Kissinger has been offering for the last several decades that the United States must learn to coexist and to cooperate with China and not to seek rivalry and conflict, to minimize rivalry and conflict to the greatest extent possible, and to maximize opportunities for cooperation and existence. Unfortunately, as I see it, mainstream opinion in Washington, D.C. seems to not be going in the direction of Doctor Kissinger's advice, but in the direction of putting all our strength in this dispute about power, business and influence with China.

I wish I could think of a meaningful way that we in Europe could help to diffuse these mutual perceptions. And I will certainly use the point you made when we think about how best we can orchestrate our Munich Security Conference activities going forward. Because I think this touch is one of the most fundamental issues facing the international system.

No one's interests will be really served if this US-Chinese rivalry dominates all other considerations. I think we have other extremely important considerations – nonproliferation of nuclear weapons, climate change, the Arctic, regional conflict in the Middle East and elsewhere, including of course in Asia and the Indo-Pacific Region. The need to recreate or reanimate a functioning international order with a UN Security Council that can perform its function, and that will not be blocked all at every turn of the road, is certainly our interest. I hope this is also in the Chinese interest. There are enormous mutually supportive missions ahead, which I hope can be explored together and used.

Sanctions and NATO Expansion

Host: We are coming to our Q&A session now. We have our first question, which goes to Ambassador Ischinger. There's a lot of talk nowadays that after the Ukraine war, the US and the EU will impose sanctions on China. The question is, do you think it would be possible for the US and EU to put such sanctions on China similar to those put on Russia at the moment, as the so-called Wood Embargo?

Wolfgang Ischinger: Well, quite frankly, I have never believed that sanctions are, in principle, a panacea, an instrument to solve all our problems. Sanctions can sometimes be helpful to support certain policy objectives, but sanctions

themselves rarely solve the problems. I'm very skeptical about sanctions between Europe and China. I'm also skeptical about sanctions between the United States and China. Because it is obvious, if we start slapping sanctions on China, China will have no option but to respond in kind. And I'm not sure that it would serve any purpose.

I think the real question behind this discussion about sanctions is the question: can we be assured? And that, again, that would be a question for the Chinese leadership: can we be assured that China will not do anything that would weaken our attempt to put maximal pressure on Russia to end this war? Can we be assured that China will not come in as an alternative source either of income or of material, of weapons equipment? Can we be assured that China stays out? This is the minimum requirement to stay out of this terrible catastrophic situation in the heart of Europe. And if we get minimum assurance in that respect, I think sanctions should not even be on the agenda.

Host: Thank you very much. Our next question is for you, Dr. Wang. The question is transferring the experience from Ukraine to possible scenarios for Taiwan. A similar military and economic escalation would be a disaster for world economics, but also for any German investments into Mainland China and Taiwan. What can China and Europe do to minimize the risk of such an escalation in Taiwan?

Henry Huiyao Wang: I think the Ukraine war actually serves as a good reminder to everybody, including the US, EU and China. We see that if things develop into conflict and into war, it's basically putting the economy and livelihood of people of many countries on hold. If anything can be learned from the war in Ukraine, it is that war is really a last resort and something that people should try to avoid. That's why China sticks to the UN Charter, to respect sovereignty, territorial integrity, and Ukraine cannot be an exception. While at the same time China is also looking for a more comprehensive security arrangement. Regarding what is happening now across Taiwan and the South China Sea, we believe that there should be no foreign interference in the region and let the people and country in the region solve things by themselves. Another lesson we have learned is to limit military alliances, but now see NATO expansion and AUKUS in this region, which includes Australia, the US and UK, as well as the Quad, which includes India, the United States, Australia and Japan. These military alliances bring more tension in this region. We should have more economic alliances like RCEP, CPTPP, AIIB and CAI, which would be a good way to build peace in the region. India is the largest recipient of AIIB funds and has a Vice President in the AIIB. And we should go deeper into digital agreements in the Asia Pacific region. China's Foreign Ministry spokesperson said that Asia-Pacific welcomes all good initiatives that promote economic prosperity.

Host: Four hours ago, the General Secretary of NATO Jens Stoltenberg wrote

on Twitter that “We have received applications for Finland’s and Sweden’s membership in NATO. This is a good day at a critical time for our security. Your applications are in a historic step.” Secretary General Jens Stoltenberg met with the Swedish and Finnish Ambassadors this morning, who delivered their applications for NATO membership. And the question is to you, Dr. Henry Wang, what is China’s position regarding the NATO membership of these two countries? And how will China react in the face of a stronger NATO? Is this something important in your eyes, from a Chinese perspective?

Henry Huiyao Wang: I just had an interview two days ago when Finland officially announced it would join NATO. I told the reporter that basically China doesn’t want to see another Ukraine or any crisis like that. But we understand the Finnish people’s concerns. The best way to really stabilize things is to really solve this Ukraine crisis as soon as possible. I think that the EU leadership, along with the US and NATO, should really talk with Russia and establish a structurally balanced peace. I don’t know if we can have a new Minsk Moment, but it’s really important. We cannot wipe out Russia. Russia is there, and it’s a neighbor that you cannot move. Now there are 1,300 km between us, but NATO’s frontier is up against Russia; Saint Petersburg is only 100 miles away. China doesn’t want to see more tension in the world. Finland and Sweden’s joining NATO doesn’t really solve the problem. The fundamental problem is the conflict between Russia, NATO and the West. Can the UN, EU, China, the US and Russia just sit together? Maybe at Munich Security Conference, talk with each other and find a way to get out of that? Maybe that’s the right way. Russia won’t go away if we build more alliances, which could create even bigger problems. But I do understand the Finnish choice, because they felt threatened by the Ukraine war. It’s totally understandable, but we don’t want to see another Ukraine. I think that’s the bottom line.

Host: Ambassador Ischinger, regarding possible sanctions towards China, do I understand correctly what you were recently saying that as long as China is not supporting Russia in a material sense, there will be no sanctions placed on China? We know the US is doing everything they can to contain China. Will the EU follow the US in this direction?

Wolfgang Ischinger: First, let me add a word to the earlier question about Finland and Sweden. The historic dimension of this development needs to be underlined. And I hope that this is also understood among analysts in China. Sweden has been a neutral country for the last 200 years, and it is a historic departure for a country that has such a long-standing tradition to change course and now to join the alliance. Why would they want to do that? Because there is a threat perception. Quite frankly, I would not agree that it is NATO expansion or NATO enlargement that is at the origin of this current tension and conflict with Russia. The last decision that NATO took to enlarge towards the east in the direction of Russia was actually taken in 2004. That’s 18 years ago. And

since 2004, the only NATO enlargement decisions that occurred had to do with countries like Croatia, Albania, maybe Montenegro. I cannot imagine that is of any consequence to the security of the Russian Federation, because it is far away from any direct relationship or border with Russia. I think NATO's argument does not really carry very far when Russia tries to justify or explain the motivations behind the unprovoked and totally illegal aggression against a sovereign neighbor, in this case, Ukraine. My own country, Germany, got rid of most of their classic military equipment over the last 20 or 25 years. After achieving unification in 1990, we declared ourselves great. We are now only surrounded by friends. Germany has nine neighbors, all of whom we discovered are now our friends because they are either in NATO or in the EU, or in both, or they happen to be Switzerland, which is also a nice neighbor to have. We didn't see any military threat at all and our army was diminished, spending less and less on defense. The fact is that a shock wave has been created since 2014, but even more dramatically through the events of the last two months.

Now, to just very briefly answer your sanctions question. Again, I'm not a fan of sanctions in general. I understand that the United States is extremely concerned about Chinese activities that might stand in the way of putting more and more pressure on Russia in this current war situation. I personally do not believe that there is any argument at this point that I have heard that would justify European Union sanctions against Chinese companies or individuals. I hope that the Ukraine conflict will not going result in additional tensions between the United States and China. Again, let me repeat that. I would be very happy to invite everybody to come to Munich next time and try to identify or define a path forward to end the war, to recreate trust and confidence. But this requires the willingness by the Russian leadership to engage. I think one of the few actors in the international arena who could actually influence the Russian leadership to consider engaging with the West is China. I continue to hold on to the hope that not only do we not need to slam sanctions against China, which I think would be totally counterproductive, but I would hope that China will climb down from the fence just a little bit, and put a little bit of pressure or talk a little bit more seriously with their friends in Russia. I think this would be to the benefit of Russia, Europe, Ukraine, and would certainly be to the benefit of the reputation of China as a force of good and as a responsible global power that is not only trying to maximize its own interests, but also has an ability to consider the global commons, the UN principles like conflict prevention and protecting the global commons. That's what global powers are supposed to do. So I remain an optimist and will do everything to bring in as many Chinese leaders as we can to keep this discussion open and going forward, instead of taking steps that would only serve to antagonize everybody, like sanctions in the Chinese-European relationship, that's the last thing we need.

Driving Closer Ties with Europe

Host: Dr. Wang, as Europe is trying to shift towards green energy and carbon taxing mechanisms, how do you think this will impact European-Chinese trade? And how might concerns about climate change be integrated into the economic relationship between both regions? Also, how can China envision its trade and investment ties with Europe in a tense political atmosphere?

Henry Huiyao Wang: I think there are enormous business opportunities between China and Germany. For example, just a few months ago, I visited Daimler. They have a new R&D center in Beijing, investing over a billion RMB in clean energy vehicle production and research. China is now the world's largest clean automobile market as well as the largest wind power and the largest solar power producer, which have a great participation of companies from Germany and from European countries. However, the energy crisis caused by the Ukraine-Russia conflict is going to really set us back in terms of fossil fuel energy sources, so we have a vital interest in technology from European companies that can benefit not only the Chinese market but also the German and EU markets as well. So I think we have a vast interest working together. And China and the EU, particularly EU, giving the Paris Agreement and the climate change leading position, we can really work together. I think there's tremendous potential for the 5,000 German companies and hundreds of thousands of EU companies in China and vice versa.

Host: I think that already kind of includes your vision for the future relationship. Can you give us an outlook on your personal vision for the relationship between China and Germany politically and also business wise?

Henry Huiyao Wang: I really want to take this opportunity to thank Ambassador Ischinger. You are a great promoter through the Munich Security Conference and play a huge role. I've been there and witnessed this kind of impact and I'm glad to hear you're still on the board. What's your vision for the future of the Munich Security Conference? I hope that China can participate more. We really need more peace talks now than ever before and I'm sure the MSC will be even more important in the future.

Wolfgang Ischinger: About ten years ago, between 2009 and 2012, the Munich Security Conference was quite proud to be a platform for an important development, which was resumption of Russian-American negotiations about intercontinental, strategic, ballistic warheads. We were able to provide the climate for the reset button to be pushed in 2009, and for the exchange of the ratification documents between Russia and the United States two or three years later. That was a very positive moment. I am saddened by the fact that during the last conference, for which I personally took full responsibility in terms of the speakers and the program and the priorities, that the Russian government

representatives decided to stay away and not come, because four days later they were going to invade their neighboring country. This last conference of mine was a sad moment for me, because it was a failure in our goal of serving as a catalyst for peaceful conflict resolution. I hope very much that, going forward, we can return to the more positive role that we were able to play a decade ago, that we can help make sure that there will be not the outbreak of military conflicts in the Far East.

I think my fellow Germans need to understand this is why they need to be interested in what's going on in China and between China and her neighbors. If a conflict breaks out in far away regions of the world, we will be directly affected. We've been most directly affected by this Ukrainian conflict that we're now learning that poor countries in Africa will be devastated by the fact that their grain deliveries from countries like Ukraine will be stopped. There will be all sorts of very serious challenges in terms of poverty, hunger and health going forward. That is why I hope very much that we can all work together, in particular the MSC as an informal non-governmental platform that can work with responsible government leaders China, the United States, Europe, and hopefully at some point with Russia, to make sure that we do the right thing by putting in place confidence building measures, engaging in arms control and conflict resolution programs and helping people understand each other better. That's the original purpose of the Munich Security idea. I want to close with the point that without active participation by China, by the Chinese leadership and by Chinese thinkers, like you Henry, we could not have performed this mission at all in the 21st century. I'm delighted to have this link to China, and we want to build on it going forward.

Host: Thank you for all your encouraging ideas for our political and business leaders in both countries, Germany and China, as well as the European Union, for further dialogue and finding solutions and ideas to the challenges we're facing today.

The Asian Century

As mentioned previously, the rise of China and other Global South nations, many of the most successful of which are also in Asia, has created a power shift that is irreversible and cannot be ignored. This has prompted some to describe the 21st century as the “Asian Century”, most prominent among these is the Singaporean diplomat and academic Kishore Mahbubani.

His vision of what the world views as a ‘rise’ is closer to a ‘restoration’, because, as he points out, prior to European expansion and colonization, China and other Asian nations were among the most wealthy, developed and powerful nations on the planet. Their reach and influence throughout the region and beyond through trade and exploration touched much of the historical world.

He also points out that Asian values and philosophies have the potential to provide an alternative interpretations to the current global system that may be more suited to a not-so-Eurocentric multilateral network of nations. China has the potential to act as a driver for the inclusion of uniquely Asian values and perspectives in the global narrative and reform of global structures.

However, he is careful to note that this is by no means a wholesale replacement of the current core foundations and structures that have created the current phase of relative global peace and prosperity that we have seen since the end of the Second World War. Instead, he calls for greater agency and representation so that the Asian Century is one of prosperity for all.

What Will Life Be Like in a Likely Asian Century

A Dialogue with Kishore Mahbubani

Henry Huiyao Wang and Kishore Mahbubani

Why will the 21st century will be an Asian one? Drawing on a lifetime of diplomacy and scholarship Kishore Mahbubani speaks as both witness and actor in the story of Asia's ascent. Having grown up in poverty in 1950s Singapore, Mahbubani uses his memoir, *Living the Asian Century*, to trace not only the transformation of Singapore from a subjugated colony into an Asian powerhouse, but also to vividly chronicle his own journey going from a poor childhood in a multiethnic neighborhood to an illustrious diplomatic career that led him far afield, from the desks of the Ministry of Foreign Affairs in Singapore to the travertine and marble halls of the United Nations. Along the way, Mahbubani has become one of Asia's most widely known commentators and spokespeople, with a unique perspective that straddles Singapore, India, China, and the West.

In the following dialogue, Kishore Mahbubani and Dr. Henry Huiyao Wang, Founder and President of CCG, bridge memoir and geopolitics, covering topics ranging Ambassador Mahbubani's own life experience, the "restoration" of Asia based on its historic position in the world and regional relations and to the importance of China-US relations.

Khalil Hashmi, Ambassador of Pakistan to China; Jesús Seade, Ambassador of Mexico to China; and Changhee Lee, Director of the Country Office for China and Mongolia, International Labour Organisation (ILO) join them during the live Q&A session, and expand the topics to cover arms control, regional security in Asia, as well as the traditional cultural links that connect Asian countries.



*Henry Huiyao Wang in dialogue with Kishore Mahbubani at the book launch event of *Living the Asian Century: An Undiplomatic Memoir* held in CCG's Beijing office*

Kishore Mahbubani is a Distinguished Fellow at the Asia Research Institute, National University of Singapore, and the founding dean of the Lee Kuan Yew School of Public Policy. A career diplomat turned academic, he spent 33 years in Singapore's Foreign Service—twice serving as UN ambassador and as President of the UN Security Council (Jan 2001, May 2002).

CCG has long-running collaboration with Mahbubani, including co-publishing the open-access *The Asian 21st Century* with Springer Nature, which has recorded 4.22 million downloads worldwide and facilitating its Chinese edition. CCG also translated the Chinese edition of *Has China Won?* and supported the Beijing launch of the Chinese edition of *The ASEAN Miracle*.

Success Despite Adversity

Henry Huiyao Wang: I read *Living the Asian Century* as our team at CCG was translating it and I learned that you had a very harsh early life. I also remember you saying you did your master's degree in Halifax in Canada and life was hard there as well with very poor living conditions. I studied in Canada too and I know how cold it can be in the winter, especially since your landlord didn't provide good enough heating, right?

But, of course, you had such an impressive diplomatic career and now you're known as the "VOA—Voice for Asia". So, I'd like to hear what drives you—what's your mission and what is really the key to your success? If you look at it not as a rags to riches story, but from the perspective of a poor kid that worked studied and rose through the think tank community to a global thought leader, what were the key factors that contributed to such a great career and to have become such an established figure?

Kishore Mahbubani: Actually, that's a very difficult question to answer. I would say it's a variety of factors. Clearly, my peers would describe me as someone who's very ambitious. Where that ambition came from, I don't know. But I think it was basically because I happened to work with people who inspired me, you know. That's why I spend a lot of time in the book talking about Lee Kuan Yew, Goh Keng Swee, and Rajaratnam, because I realised that when I worked with them, they set very, very high standards. They had a very important rule, which I would simply call the "zero bullshit" rule. The minute they smelled any bullshit, you just got killed by them. They didn't want any kind of rubbish, so when you wrote something for Lee Kuan Yew or Dr Goh, you had to have very high standards to meet and those high standards then became a lifelong habit.

For example, I noticed that whenever Lee Kuan Yew spoke publicly, he never wasted a word. He always made sure that every word he used had meaning and consequence. And he spoke very sparingly and didn't try to use very high-flown English. He used very simple, short, clear, direct sentences that conveyed very simple, clear, direct messages. And so, in a sense, I basically began emulating them and I found that after I spoke like them, people started listening to me.

But the other big change in my life happened when I was at Harvard at the end of the Cold War in 1991–1992. I spent a year there as a fellow of the Weatherhead Centre for International Affairs. At that time, there was incredible triumphalism in the West, you know. They were so happy that they had defeated the Soviet Union, and they believed, as you know, they had reached the "end of history," that the rest of the world had to become carbon copies of the West, to quote Francis Fukuyama. At one Harvard seminar, I said to a very distinguished Harvard professor, Stanley Hoffmann, a very wonderful human being, who was talking about how the future was going to be Western. That was the first time I stood up and said to him, "I'm sorry to disagree with you, but I think the future is in Asia, not in the West."

What amazed was that he actually lost his temper. His face went red and he became almost apoplectic when I said that. That's when I first encountered the resistance in the West to any suggestion that Asia was rising. I've now been writing about the rise of Asia for 32 years, since I published my first essay in *The National Interest* magazine in 1992. I've been predicting the rise of Asia for 32 years, but fortunately for me, Asia keeps rising.

And all the predictions I've been making have been coming true. So there is a kind of virtuous cycle now. Several people in the United States—the honest ones—have come to me and said, "Kishore, we should have listened to you 20

years ago when you told us that the world is changing and that Asia is returning.” That’s also why I think this book, *The Asian 21st Century*, which you published, has been so successful—because it really captures the mood of the world. So, in a sense, if one could say I have been successful, it’s because I’ve also been riding a tidal wave, and that tidal wave is the return of Asia. That’s what all my writings have been about, and that’s what everybody is paying attention to.

The Restoration, Not Rise of Asia

Henry Huiyao Wang: It seems to me that your success can be attributed to great ambition and high standards. You had great mentors and you pursued excellence, but you also had the courage to challenge convention, which you’ve done very well.

Now, let’s talk about *The Asian 21st Century*, which we worked on together. What do you think about Asia now? We see the miraculous success story of ASEAN and I remember when you published *ASEAN Miracle*, which you launched at Peking University around ten years ago. What do you think of what’s happening now with ASEAN expanding to 11 members and with the APEC summit that just finished? What’s in the future, compared with the other continents? What are the reasons you think Asia is still rising and developing, and most likely becoming the most important geopolitical arena in the future?

Kishore Mahbubani: I’m glad you mentioned ASEAN. I can say that I’ve been talking for a long time about the rise of the CIA countries. Be careful, CIA here doesn’t stand for Central Intelligence Agency, it stands for “China, India, and ASEAN”. And if you want to understand how amazing the growth has been, let me just give you three statistics to illustrate this.

Take China. In the year 2000, when the 21st century began, the combined GNP of the European Union was eight times bigger than China’s—eight times bigger in the year 2000. Now the European Union and China are the same size. By 2050, the European Union will be half the size of China. So, can you imagine? In 50 years, the European Union is going to go from being eight times bigger to becoming half the size of China—that’s a structural shift that rarely happens in history. This is an amazing structural shift.

Now, if you take India. India, as you know, was colonised by the British, so it’s good to compare it with the UK. In the year 2000, the British economy was almost four times bigger than India’s. But today, the Indian economy is bigger than the British economy. And by 2050, India’s economy will be four times bigger than the UK’s. So, when the 21st century began, the UK was four times bigger than India, but by the middle of the century, India will four times bigger than the UK. Again, a huge shift.

Now, let’s take ASEAN, which I will compare with Japan. Japan was the world’s second-largest economy in the year 2000. Again, in the year 2000, Japan was eight times bigger than ASEAN. Now, Japan is only 1.2–1.3 times bigger

than ASEAN. By 2030, ASEAN will be bigger than Japan.

So we're witnessing structural shifts of a magnitude that rarely happens in phases of history within a single lifetime. I mean, basically, if you want to compare this period, you have to compare it to the Industrial Revolution, when Europe just took off. And as a result of that, Europe was able to dominate the world, and economies grew dramatically. But the economic growth of the Asian countries has been stunning. And, I expect, given all the forecasts I've made, that Asian countries may even do better than what I have forecast for them, because there's a virtuous cycle.

When future historians look at this period of time, they will look at the structural shifts that are happening and see how in the year 2000, when the 21st century began, China's share of global manufacturing was only 5%, but by 2030, China's share of global manufacturing was 45%. How do you go from 5% to 45% in 30 years? That requires incredible ingenuity, discipline, planning, hard work, dedication—a remarkable series of attributes before you can achieve something of that magnitude.

Similarly, as you saw recently at the meeting between the United States and China, for the first 25 years, the United States could put pressure on China, but China couldn't put pressure on the United States. But as we've seen, and as President Trump has now acknowledged, the world has become a G2 world. Today, China has true leverage over the United States as it did with the use of rare earth.

These are all profound structural shifts in our international order that I think future historians will be amazed by. What I hope is that my writings will provide a record for future historians of how and why our world is changing so dramatically and why is Asia doing so well.

Henry Huiyao Wang: So you've used statistics to show how Asia is taking off and things are happening. Do you have a sense of the key attributes behind this? What exactly is driving it?

I remember a reception that the former US ambassador, Terry Branstad, held just before he left China. He mentioned that the three things that impressed him most about China were, first, family values and strong family ties; second, the enormous importance attached to education; and third, hard work. Do you think there's an "Asian values" factor that could continue to propel Asia's development in the future?

Could Asia come together more, given the examples we already have in China, Japan, South Korea, and possibly India, and of course, ASEAN? Do you envision an Asian common market or an Asian Union someday, perhaps repeating ASEAN's success?

Kishore Mahbubani: As I mentioned earlier, that the one lesson I learned from Lee Kuan Yew, Goh Keng Swee, and Rajaratnam is that we must be ruthlessly honest in our analysis. So when you ask why Asia is doing well, the first honest answer we have to give is that we Asians were the first to learn from the West

how to succeed.

So, as you know, in my book *The New Asian Hemisphere*, I describe how Asian countries succeeded by studying, understanding, absorbing, and then implementing the seven pillars of Western wisdom. For example, Asia learned the mastery of modern science and technology from the West. You look at free-market economics, one source of China's spectacular success, which we also learned from the West. So we should acknowledge the fact that we have learned lessons from the West.

But at the same time, one reason why Asian countries are also doing so well is that at a time when Asia was rising, many countries in the West decided to go to sleep. And that's why I say, in a very cruel fashion, that Francis Fukuyama's essay *The End of History* did a lot of damage in the West—because he put the West to sleep in 1990, precisely the time when China, India, and the rest of Asia were waking up. It was an amazing coincidence in timing and the West should have realised that the past 200 years of Western domination of world history were a complete aberration.

And so when you ask why China and India and ASEAN are all doing well, the simple answer is that there are great civilisations in Asia, and they have always been great civilisations, but unfortunately, they went to sleep at a time when the West was waking up. That's why in the year 1950, even though China and India combined had about 40–50% of the world's population, they only had 5% of the world's GNP, while the United States had 50% of the world's GNP. Now that was an aberration and what you're seeing, therefore, is the end of the aberration and a return to the normal.

One advantage that Asians have is, because of their old civilisations, a much higher degree of cultural self-confidence and that cultural self-confidence is an asset for Asian countries. I suppose that reflects your point about Asian values, but again, remember that many Asian countries lost their self-confidence.

Many of you may know my first book was called *Can Asians Think?*, in which I quote a Korean who was asked in the 1950s, "What do you Koreans think about this?", to which he replied "I don't know whether we can think." That was the amazing damage that was done by Western domination of world history.

If you look back over the past 3,000–4,000 years of human history, I'm shocked that most people don't realise that we are now living through one of the most exciting periods ever in terms of scale and pace of change. And the good news for me is that I've been trying very hard to capture these large changes that are happening. Many people can feel that these changes are happening, but they're trying to find the ways and means of describing these changes. That's what I try to do in my writings.

Possible Equilibrium in Sino-US Relations

Henry Huiyao Wang: Of course, there's Asian cultural heritage, traditions, and values, as you mentioned, but this has also been compounded by globalisation.

China's opening up in 1979 was an embrace of globalisation, and then its joining the WTO further opened global exchanges. All of this contributed to the success of Asia as well.

I want to ask you a question about the China-US presidential summit just last week, which I think put China and the US on an equal footing. For the last eight years, the US has gotten used to sanctioning China and China was on the receiving end. Now China has started to push back, and the US, possibly for the first time, also recognises this. But this is really counterproductive.

In his second term, I think Trump has adopted a more pragmatic approach. He doesn't want to escalate tensions with China and he is really engaging in dialogue. I was amazed by the five rounds of talks between Scott Bessent, Vice Premier He Lifeng, and China's chief negotiator Li Chengang, which set a great framework. They actually reached a successful conclusion in Busan, South Korea, last month. As President Trump put it, on a scale of one to ten, "I give it a twelve" in terms of success.

As you said, he mentioned the idea of a G2, but also President Xi mentioned that we should get rid of this vicious cycle of retaliating against each other, and that "Make America Great Again" and the rejuvenation of the Chinese nation—these two objectives—do not conflict. This means they can be more responsible for other big affairs in the world and they talked a lot about the Ukraine war and how they can probably work together.

Over the last eight years of trade wars, China was never really contained and actually achieved record exports and imports as well as the "DeepSeek moment" and the Victory Parade two months ago. Do you think that now the US finally recognizes China as an equal and that we can probably achieve some kind of new normal? The US and China are so big that we cannot really afford a war, because that would put us in a MAD situation—mutually assured destruction.

If that's the case, could we have a kind of peaceful Olympic-style competition? If we continue to sanction each other, it's going to hurt both countries and the rest of the world. We need to enter a new, fair paradigm.

Kishore Mahbubani: We share your vision and hope that US–China relations have finally stabilised, and that both sides will now engage in competition but within guardrails, and everything will be more or less steady from now on. But unfortunately, as a student of three geopolitical realists, I predict that this stability will not last, because it is abnormal. The normal situation is what we have experienced over the past 2,000 years: the top power will never gracefully allow the next one down to overtake them power and say, "Okay, your turn has come. Please take my seat. I'll become drop to number two." As you know, in the United States, it is politically suicidal for any American politician to say, "Let's prepare for the day when we become number two."

The only man brave enough to say this, by the way, was former President Bill Clinton in a speech at Yale in 2003. I discuss this speech in my book *The Great Convergence*—he said: if America is going to be number one forever, we have the "juice" and we can keep on doing what we're doing. Then he added a "but."

He said, “but if we can conceive of a world where the United States is no longer number one, then surely it is in America’s interest to strengthen multilateral rules, multilateral norms, multilateral processes, and multilateral institutions.”

But he gave that speech only once and never repeated it. And I can tell you this: in my book *The Great Convergence*, I quote his Deputy Secretary of State, Strobe Talbott, saying that several times when he was President, Bill Clinton wanted to give speeches preparing the American people, saying, “Hey, we cannot be number one forever, so let’s think about a world where we become number two.” But all his advisers said, “That’s political suicide.” That’s why even Joe Biden once said publicly, “China wants to become number one,” and then immediately said, “But it ain’t gonna happen on my watch,” which means that no American president can allow the possibility of China succeeding.

And so, over the next 10 years, China’s growth will continue. China’s GNP is already bigger than the United States in PPP terms and in nominal terms will get closer and closer and closer to the United States. The closer it gets, the more insecure the United States is going to become, and the pressures to stop China will increase. So, while I’m very happy that the outcome of the meeting between President Trump and President Xi was so positive—it truly exceeded my expectations—but never believe that a period of calm is the end of the contest. The contest will last for another 10–20 years.

Henry Huiyao Wang: I see, but I just want to add that I think China and the US have reached some kind of equilibrium in Trump’s second term and are on equal footing. If that is the case, we can’t fight each other, because it would be mutually assured destruction. We can’t afford it. Economically, I think the US will gradually realize that fighting China will hurt both countries since we are so intertwined, whether it’s in terms of semiconductors, rare earths, pharmaceuticals, or shipbuilding. Competition cannot be military, because a strategic deterrent has already been established, but in terms of economic competition, China is also very resilient.

As Secretary Rubio rightly said in July when he was interviewed on Fox News, China and the US are going to reach a new strategic stability. I think this new strategic stability could last for the next three years of Trump’s term, with two visits happening: Trump in China and President Xi in the US—and then he has another two terms. If we can reach this next moment—having this strategic stability established—that is probably a historic turning point of the summit we had in Busan, South Korea.

Q&A Session

Khalil Hashmi: Ambassador Kishore Mahbubani, you certainly have the gift of gab and excellent storytelling. You gave us a very riveting account of your book and generally painted an exciting picture on the larger development front, specifically what is happening or what is going to happen in the next ten years.

I wanted to take you to another, rather less promising and more worrying scenario that is also developing on the larger geopolitical or security front. Because, as someone who has worked with three geopolitical realists, I want to take you back to 2001. That was the time when the hinges that stitched the world order—the normative hinges, international law, and the international institutions that glued the international system together—started coming off. You know what happened: 9/11, the tragedy that happened, and the response that came from the United States and other countries. After that, what started happening to the World Trade Organisation and other institutions?

We have seen a consistent trend of erosion of international law norms and other foundations that were put together to save succeeding generations from the scourge of war. But here we are in 2025 and we have seen these things deteriorate. So the most powerful states are clearly exercising the choice not to play by the rules that they once decided on for enlightened reasons.

Now, if you look at this region, which is thriving, there are also worrying clouds—if you see elements of a China containment strategy, the Quad, and other things. So do you think, as someone who has seen these things up close, including the nuclear threat and other aspects, that the United States announcing it may be resuming nuclear testing that the era of arms control is also over?

What worked before was either normative deterrence or some form of arms control mechanisms. With these things gone, how do you paint the next 10 or 20 years, alongside what is happening on the economic front, which is a promising picture? We have to mesh these because we are living in a world where we're seeing worrying developments in terms of security, especially in the Asia-Pacific region, but also what is happening in Europe. What is your assessment? How would you see it in 5, 10, 15, and 20 years from now?

Kishore Mahbubani: I must say that's an excellent question, because you point to one of the biggest challenges of our time, which is the challenge to the normative order and what people in the West call the post-1945 rules-based order. And you're also right in terms of 2001 being a critical year of change. Actually, it was Singapore's good fortune that we were members of the UN Security Council in the years 2001 and 2002, because even though we were members for two years of the same Security Council, actually we were members of two completely different UN Security Councils.

There was a UN Security Council pre-9/11, which was basically sleeping, doing nothing, and nobody cared. Nobody was interested. I was in Manhattan when 9/11 happened. I saw the traumatic effect it had on the United States. I saw how it woke up the United States. The United States actually didn't have an ambassador to the UN until 9/11 happened and appointed one immediately after.

And then, immediately, the Security Council became the battleground for one of the fiercest battles ever about whether or not the United States could legally invade Iraq. I was in the Security Council watching the debates at first hand, sitting next to Sergey Lavrov, who was my neighbour. That's why I say there were two different Security Councils. And there's no question that the global

normative order has been challenged since 2001. You're absolutely right.

But what is to me amazing is that even though it faced severe challenge, it hasn't broken down. In the past, normally, whenever the United States took the lead, many countries would follow, saying it must be the right thing and we should follow the United States. But what's interesting is that this time around, since April Liberation Day, after the United States raised its tariffs on the rest of the world, normally you would expect some countries to follow the United States and raise tariffs, but no other country has done so. Not one. So it's amazing: the 192 other countries in the world are saying, "We're sticking to the WTO rules. We're not leaving them at all."

And indeed, other countries are actually deepening their economic liberalisation with each other. For example, after April Liberation Day, Indonesia—which in the past used to be conservative about free trade agreements—managed to complete a free trade agreement with the European Union, which it had been negotiating for 10–15 years. The fact that most countries in the world are sticking to the normative order is, I think, one of the most positive things that is happening in the world.

But on top of that, I must say that the decision by President Xi to launch his Global Governance Initiative could not be better timed, because you find that around the world, the demand for global governance is growing. Most countries in the world want greater stability in the international order, in the global order, so they can grow their economies. They need stability to grow their economies. But at a time when the demand for global governance is growing, the supply of global governance is going down. And so the fact that China has decided to take the initiative to launch this initiative shows that many countries, including China, understand that we must protect these global governance institutions.

So, at a time when we should be pessimistic about the normative order you're talking about, I'm actually not completely pessimistic. I see lots of signs that, indeed, the rest of the world will come around to protect many of these institutions, including the World Trade Organisation.

Jesús Seade: As a keen observer of many of the historical developments you mentioned, I was very happy to be a negotiator for my country in the creation of the WTO and the founding deputy head of the WTO. I was in Washington, DC on that fateful day—9/11. My secretary came and said, "Mr Seade, a plane has hit one of the Twin Towers." I said, "What?" and I kept working. I was working early that day; 20 minutes later, the tower collapsed—"What?"—and I kept at work, and then 20 minutes later, the second tower, and the world changed.

I fully agree with the sense of scepticism we have expressed on an easy reading of recent and current developments—where are they going? The world is not following the United States; at the same time, in the United States, there is a consensus that people are quite wrong to think that President Trump is alone in his thinking and that there's a consensus about certain things. President Clinton said what you said 22 years ago. But in general, I think not many people are ready to accept the fundamental changes that are going on.

I remember a fantastic saying—an expression by one of my favourite philosophers, the baseball player Yogi Berra, who said, “It’s very difficult to make predictions, particularly about the future.” So I prefer not to try to speculate about current developments—where they’re going—and to go for the real future, to look at underlying trends, and ask you how you see that hitting the main balances on the economic front and on the security front for the world.

The main trend that I see happening that has not received a lot of attention or commentary is the fact that China continues to have a gigantic trade surplus with almost every major region in the world. That means an amazing amount of currency—US dollars—is going to China. But China is not piling it up, it’s putting it back out in the form of investment—it has to.

So the trend that I want to talk about is one where the big trade imbalances that have been hitting the world over the 50 years, which are denounced by Americans, Europeans, and many countries around the world, who say that we’ve been taking jobs from them, and so on, because the jobs and production are in China. That’s no longer happening that dramatically and the underlying change that I see is that those dollars are being returned to the rest of the world in the form of Chinese investment. So I see some of these imbalances being mitigated on employment.

But I see greater participation in exchange—if we want to be positive, we’re going to say partnership, and that’s great—and ownership of Chinese capital and Asian capital around the world. You can make a positive, gentle reading of that or imagine alternative troublesome stories around that. I want to ask you: how do you see this trend? Is it a simplistic situation where we reduce trade imbalances, but we increase Chinese and Asian investment around the world? How would that affect global politics and global security balances?

Kishore Mahbubani: You’re absolutely right that China is generating massive trade surpluses, this is an undeniable fact, and there’s no question that some of these large trade surpluses are also generating political problems for China. These large trade deficits are what many Americans complain about, but at the same time, you must also be very intellectually honest and acknowledge that the United States also has large surpluses in services that nobody mentions, which are actually helping the United States quite significantly. There’s a reason why the United States is still the richest country in the world—a lot of dollars are going to the United States also, not just China. If President Trump succeeds in getting countries like Japan, South Korea to invest massively in the United States, dollars are going to the United States, too.

So it is a complicated picture, not a one-sided at all, but I do think China has got to pay attention to the fact that its large trade surpluses are creating political backlash. Therefore, it’s got to find ways and means of rebalancing its trade with many countries. There are many ways to do this and one way is the one you suggest, which is for China to start investing in other countries.

I must say again, I give the Chinese government credit for having launched the Belt and Road Initiative at a timely moment, because the Belt and Road

Initiative is a way of providing long-term capital to developing countries to develop infrastructure that no private sector would ever develop. So that's how you have this remarkable situation today, whereby Laos, despite being one of the poorest countries in the world that the United States dropped more bombs on than it dropped in Europe in World War II, has a faster train today than the United States. This is because of the Belt and Road Initiative. It is quite remarkable. Then if you go to Indonesia, there is a train called that goes between Jakarta and Bandung that's faster than anything in the United States does, again as a result of the Belt and Road Initiative.

I think if China enhances the Belt and Road Initiative and finds ways and means of investing more in developing countries, that will help to remedy some of the political backlash against these trade surpluses. But I must also emphasise that Singapore doesn't believe that trade deficits are bad. We have a trade deficit with the US, but that's not bad—it means that we are buying more competitive products from the United States of America. We buy very good planes—Boeing planes—from America which is the reason why we have a trade deficit with the United States. So you must get rid of this idea that trade deficits are bad and trade surpluses are good. I mean, overall, you must have a reasonable balance. When you suffer a trade deficit with one country and a trade surplus with other countries, it is perfectly normal, so you must look at the comprehensive picture and not just at your bilateral trade deficits.

And I can tell you one thing. What really makes me happy is that the countries of East Asia now have the cultural confidence to continue with free trade arrangements. For example, the Regional Comprehensive Economic Partnership, which is the world's largest free-trade agreement, includes China as well as four of America's allies: Japan, South Korea, Australia, and New Zealand along with the 10 ASEAN countries, and it is functioning very well, right? We're not interested in our bilateral deficits or surpluses; it doesn't matter. What matters is the overall economic growth and well-being of our countries, and ASEAN, as you can see, is growing steadily. So we look at the overall picture, not just a particular slice of bilateral trade deficits or bilateral trade surpluses.

Henry Huiyao Wang: I think China is well into this stage of massive investment. I just came back from Brazil where BYD opened a big factory and President Lula was at the ceremony. I also just came back from Turkey where BYD invested in another big factory as well. So you need a really good political climate and good relations, which is why China invests heavily in Hungary, in Serbia and in Spain. But the trade war has actually pushed Chinese companies to invest to avoid tariffs. They used to be “in China for China,” or “in China for the world,” but now, Chinese companies are going to be “in the world for the world,” manufacturing everywhere. That will probably make supply chains more resilient. It's similar to what the Japanese did in the '80s and '90s with massive investments abroad, which quickly solved trade disputes and stabilized the situation. Maybe we have a final question from one of our international organisation representatives.

Changhee Lee: Ambassador Mahbubani, we've said that Asian economies are thriving and prosperous, but when it comes to the cultural dimension or political dimension, do you have an Asian identity? How would you define your Asian identity? I mean, what connections do you have in terms of culture and civilization?

Kishore Mahbubani: In fact, I remember there was a column written by Martin Wolf once in the Financial Times that said there's no such thing as Asia. There's Chinese, there's Indian, there's Malay, and so on and so forth, right? But I think what is missing in that analysis is an understanding of what the reality of Asia was like before the Western colonisation of the world happened. There were organic links all over Asia that were cut off by Western colonial rule. To provide you with an illustration, I'll tell a personal story to show illustrate different parts of Asia are connected.

Now, I am ethnically Sindhi, from Sindh, which is, as you know, now part of Pakistan—but I grew up as a Hindu Sindhi, which means I obviously had connections with the Hindus in India, right? One billion of them. But, amazingly, the one part of the world that was most affected by Indian colonisation or Indian cultural exports was Southeast Asia. Nine out of the ten Southeast Asian countries have an Indic base. But you know what is shocking is that when Suharto, president of the world's largest Islamic country, Indonesia, and a Muslim, wanted to celebrate a moment in the country's history, he decided to build one of the largest statues of Arjuna from the Mahabharata right in the middle of Jakarta. So the leader of the world's largest Muslim country built a statue from the Mahabharata. That shows you the impact of Indic influence in Southeast Asia.

But then, when I go to West Asia, people also recognise me. So they look at my name, Mahbubani, which comes from the word mahbub, which means "beloved," and the Arabic and Persian ambassadors will say, "You're one of us," right? And even though I'm Hindu, the script I learned to write as a child was Arabic script, not Hindi. So I have a cultural connection with the Islamic world, too. That's me alone.

And then, when I travel to China, Japan, and Korea, I see Buddhist temples. When I was young, my mother would take me to both Hindu temples and Buddhist temples. Buddhism came from India, so they said, "It is the same. What's the difference?" You can pray in Hindu temples, and you can pray in Buddhist temples. So, my own personal story alone indicates that there are deeper cultural connections in Asia that were actually suppressed by 200 years of Western colonial rule, and now you see a rebuilding of these connections.

I remember sitting once at an airport in Calcutta, and to my surprise, I met a young Korean lady there. I said, "Where are you going?" She said, "I want to go and see the birthplace of the Buddha in India." That's yet another example. You also have some of the most amazing Buddhist monuments in Pakistan and Afghanistan, and many other places. Clearly, there were organic links all throughout Asia that had been there for most of the past 2,000 years.

Even though it's not good to make predictions about the future, so far most

of my predictions have come true. So, I predict that after the current economic resurgence of Asia, you are going to see a massive cultural renaissance happening in Asia and when that happens, you'll see Asians discovering that we did this together 500 years ago.

And I can tell you another remarkable thing. I was in a museum in South Korea and watched a whole show about an Indian princess who came to South Korea five or six hundred years ago. How did this Indian princess end up in South Korea? What was she doing there? I don't know. But this is an example of the old connections that had been cut off by 200 years of Western colonial rule, which is why I want to try and live for the next because the next 25 years, because they're going to be absolutely fascinating.

The Rise of Asia and Its Implications for an Increasingly Multipolar World

A Dialogue with Kishore Mahbubani, Kent E. Calder and Kerry Brown

Henry Huiyao Wang, Kerry Brown, Kent E. Calder, and Kishore Mahbubani

The success of Asian economies over the past fifty years and ASEAN and China's economic miracle have created an undoubtedly multipolar economic world, but Asia's influence is becoming increasingly geopolitical as well. These developments will eventually reshape the world as we know it.

The following is a conversation among four experts: distinguished scholar and diplomat Professor Kishore Mahbubani, who recently published *The Asian 21st Century*; a leading Asian expert from Johns Hopkins University SAIS, Professor Kent E. Calder; Professor Kerry Brown, Director of the Lau China Institute at King's College London, and CCG President Dr. Henry Huiyao Wang.

Topics discussed revolved around the rise of Asia and its implications for an increasingly multipolar world with Professor Mahbubani suggesting that the return of Asia is "a natural development" and should be celebrated by the West, while Professor Calder talked about the transformation of Eurasia and China in the region and Professor Brown stressed that "a more adequate narrative" is urgently needed for China on the international stage. Dr. Wang also pointed out that infrastructure is currently the largest common denominator that could pool efforts in international cooperation.





Henry Huiyao Wang in dialogue with Kishore Mahbubani, Kent E. Calder and Kerry Brown

Professor Mahbubani is a distinguished fellow at the Asian Research Institute of the National University of Singapore, the founding Dean of the Lee Kuan Yew School of Public Policy, and former ambassador of Singapore to the United Nations. He is also a prominent voice in world affairs, especially on issues in Asia, US-China relations, and global governance.

Professor Calder is the Interim Dean of the Johns Hopkins School of Advanced International Studies (SAIS), serves as the director of the Edwin O. Reischauer Center for East Asian Studies, and is also the Edwin O. Reischauer Professor of East Asian Studies at SAIS. Prior to SAIS, he served as a special advisor to the US ambassador to Japan and also as the Japan Chair at the Center for Strategic and International Studies (CSIS) as well as a professor at Princeton.

Professor Brown is the Director of the Lau China Institute at King's College London and he's also a former diplomat who has worked in the China section of the Foreign Commonwealth Office as well as the UK Embassy in Beijing. He's written over twenty books. His latest edited volume *China through European Eyes* will be published in this May.

Insights into the Rise of Asia

Henry Huiyao Wang: I would like to start with a book, *The Asian 21st Century*, written by Professor Kishore Mahbubani. It was only published about two weeks ago and we've already seen 44,000 downloads worldwide. Naturally, I hope to invite its author to give us a brief introduction to this new book. How is the return of Asia going to impact China, the US, EU, and the rest of the world?

Kishore Mahbubani: I'm going to give the listeners a kind of a preview of the book with three key points.

The first point I'm going to make, which may sound a bit paradoxical is that all of Asia should send a thank you note to the West for creating the Asian 21st century. And I say that quite honestly, genuinely, and sincerely because if the West hadn't succeeded first, if the West hadn't created this magnificent scientific revolution, if the West hadn't launched the industrial revolution, if the West hadn't come up with this sort of breakthrough ideas on how to transform society, like Adam Smith's *Wealth of Nations* and free-market economics, all these ideas that in a sense propelled the West and made them the strongest and most dominant civilization in the world for 200 years in the 19th and 20th centuries, are now the same ideas that are actually propelling Asia forward in the world today. The Asians are very intellectually honest. They would admit that if the West hadn't made these major intellectual breakthroughs, maybe we would still be agricultural and feudal societies today. But it's the West that transformed the world and it's the West that's transformed Asia. We should also thank Japan for being the first Asian country to modernize and transform itself, because the Japanese transformation also inspired many other countries, the Four Tigers then subsequently the ASEAN countries and then China and then India. All of Asia opened up. So you can see what a tremendous job the West had done in creating this Asian 21st century.

This brings me to my second point, which is that at the time when this Asian century launched by the West is taking off, the West should be celebrating the success of Western ideas in Asia. Instead, sadly the West is doing the exact opposite, both intellectually and politically refusing to accept the fact that the 21st century will be the Asian century.

As an historical aside, I'd like to say that the return of Asia was always a natural development, because from the year one to the year 1820, the two largest economies in the world were China and India as I document in some essays. The return of Asia was always going to come and it was inevitable, so the West should accept it gracefully. However, unfortunately, it is surprising to me the tremendous amount of resistance to accepting this. Intellectually you still have Americans saying that the 21st century will remain the American century, which I find rather strange. On the political side, they also have a deep reluctance to give up privileged positions that the West has enjoyed in the world order. Exhibit A is the fact that even till today, despite pronouncements to the contrary, the

United States insists that the head of the World Bank must be an American and the Europeans insist that the head of the IMF must be European. I can tell you in 2009 at the G20 meeting during the global financial crisis, the West said, ‘this is all going to stop, we’re going to select leaders of the World Bank and IMF on the basis of merit and no longer the basis of geography’. But nothing changed. Twelve years have gone by, and we still have the heads of the IMF coming from Europe and the heads of the World Bank coming from the United States. This is just one example of the reluctance of the West to accept the fact that this is a different world.

All this brings me to my third point, which is that there actually is a wiser, more intelligent approach for the West to take in the 21st century and that’s why you’ll notice in my book *The Asian 21st Century*, the concluding section is on multilateralism. I was ambassador to the UN for over 10 years and I still am a passionate lover of the United Nations. But the paradox here is that the United Nations and its ideas and the UN Charter were essentially created by Western thinkers. It’s western ideas and western concepts, yet the UN General Assembly was conceived to be the Parliament of men representing the views of the whole world. So if you want to create a more balanced world order to reflect the new world, you don’t have to re-invent the world, you just have to take the 1945 rules-based order that the West created and work with it. Of the 7.8 billion people in the world, only 12% live in the West and 88% live outside the West. If you want to know how and what the 88% are thinking, you don’t have to go very far; go to the UN General Assembly and use the UN General Assembly as a parliament of man to listen to what exactly the world wants. The good news is that most countries in the world, especially in Asia, want to cooperate with this rules-based order that the West had created and actually want to have a more stable world order. China has become the biggest beneficiary of the 1945 rules-based, which means it’s in China’s national interest to preserve it rather than to disrupt it as many fear could happen. So actually if you do want to create a peaceful and safe Asian century, we don’t have to go far; let’s go back to the 1945 rules-based order. This is the concluding argument of my book *The Asian 21st Century*.

Henry Huiyao Wang: Absolutely, we are now in the 21st century, and Asia has developed precisely as you said. In the last 76 years since the Second World War, we followed the Bretton Woods system, which China actually embraced. Of course, now after 76 years, the system needs to be upgraded. China has grown from a very backward economy to the world’s second-largest economy. At the recent meeting in Davos, President Xi stressed the need for multilateralism and wants to support globalization with China playing an active role. I think this book probably can create a lot of discussion around what you’ve said. We don’t have to re-invent the world, we just have to work together within the system that the US designed. So how can we do that?

Professor Calder, you’ve done a lot of research on Asia. You’ve lived in Asia. You have written books about Eurasia, and also you have spent a lot of time in China. What’s your take on Asia’s return to the global economic and

political stage? Also, how do you view the US in this context? The current global system was largely designed by the US, but can the US accept that “the world is big enough and the Pacific is big enough” as China’s leader has said? With the addition of the EU, can we live peacefully in today’s world? On top of this, connectivity is probably the next biggest change in the global economy. What’s your view on that?

Kent E. Calder: I certainly agree with the point which Ambassador Kishore Mahbubani has just made. I’ve looked through the book and I certainly recommend it to our viewers. I myself for years agreed very much that we have a global transformation underway. The first book that I did while I was together with Roy Hofheinz at Harvard University back in 1982 was *The East Asia Edge* and we were also talking about a global transformation.

Asia had been at the center historically and that it would be again after the important and creative interlude of the industrial revolution and many of the difficulties since. We are returning to an earlier era. That said, of course, I do believe that there’s a key role for the United States. It’s a key power today and it will continue to be. I believe there are fundamental strengths, like America’s technology, food supply, energy supply and creativity. There are many enduring strengths that will continue to give it a role, but the world that we will live in certainly has many characteristics of the world that Ambassador Mahbubani is laying out in his book. I can remember visiting Shenzhen in 1978 and coming out of the station; there was virtually nothing there. Then just before the pandemic, I was back in Shenzhen again and had suddenly become the home of much of China’s great technology and skyscrapers. It’s already a huge city. I could hardly believe the transformation. I see this time and time again as I moved to different cities in Asia. I’ve seen it when I was a boy in Hong Kong when I was eight, and then going back and seeing how different it’s become. And Singapore, of course, you haven’t mentioned Singapore in detail but certainly it’s an extraordinary place as well.

I was glad to see Kishore mentioning in his discussion of the rise of Asia, and Japan in the remarkable story of Japan’s transformation of going back to the Meiji Period. Of course there were dimensions that the world regrets and Japan regrets as well, but there is an important and potentially constructive role that Japan can play in this major transformation in world affairs. We keep drawing the dichotomy of Asia and the West, particularly in the sense that Kishore has talked about with a huge share of mankind that is outside the West. I do think a piece of this transformation—and I’m sure Professor Brown will come back to this also—is the important transformation happening across the continent of Eurasia. China’s rise to me is really a remarkable thing that shows it is right at the heart of this global transformation. But there’s no doubt it’s also been magnified by the collapse in the early 1990s of the Soviet Union. The transformation more broadly of the continent at the end of the Cold War created a different Europe and the extension of the European Union and other organizations like NATO considerably to the East. There are also deepening ties in the last decade across

the continent between particularly China and Germany, but also with the AIIB and so on, particularly with Britain. The transformation of many parts of the world, not only Asia, also have to do with a significant global transformation that's underway.

I do hope as we move to the future and I think that it means exactly what Ambassador Mahbubani has pointed out. It means a world that is not unipolar or bipolar. The United States and China certainly have important roles, but there's tremendous instability in that dynamic, as we have seen. I certainly hope for a world in which China and the United States can have a more stable and constructive relationship, but I think that is in the context of exactly what Professor Mahbubani mentioned, namely, of a broader multilateralism that recognizes the role of other major global powers. Also the transnational dimension, entities beyond nation-states and states that understand the broader system exactly like Singapore and certainly others states, understand the system as a whole and don't have a stake in some form of hegemony. I think all of those things are going to be crucial to the future.

Henry Huiyao Wang: I think you've outlined very well what has been happening in Asia, China, Singapore, and Japan. You're an expert on Asia and have personally witnessed the huge development Asia has seen in the last several decades. But how does the world view it? How can integrate with global development and peacefully accept each other? It doesn't seem that hard since China and the US have developed recent trade policies, but we still have this bipolar world.

So perhaps I'll have Professor Brown weigh in on this as well. After hearing what Kishore and Kent have just said, what's your take on the increased importance of Asia and how global relationships can be improved?

Kerry Brown: In the United Kingdom at the moment, we're mostly obsessed by whether our esteemed Prime Minister partied much last year or not. I am afraid that lifting our heads to look at bigger issues is a bit of a luxury. I've got two comments. The first is really about what the outcome might be, and the second is how did we get to where we are now.

Professor Mahbubani talked about the Asian Century. It's kind of like an equilibrium. It would be good if we had a century where everyone felt they were the winner, a human century as it were. In a recent book on existential problems facing humanity, an Oxford-based futurologist Toby Ord didn't mention China once. He mentioned climate change, nuclear proliferation, artificial intelligence, pandemics, and meteors clashing into the earth, which is somewhat unlikely, but he didn't mention China. Yet we have got to the situation where China almost obsesses a large number of our political elite in Europe and particularly in America and where even saying that we need to have dialogue has become a difficult thing sometimes, and that seems a strange situation to end up in as Professor Calder has said. It's not like we have just arrived at a moment when China is prominent. This has been happening for 40 years. Despite all of the

evidence and the economic indicators and all of the accumulation of different very strong signs that China is becoming much more significant, suddenly there's this extraordinary panic. I find that puzzling. An example is the very odd story of a lady of Chinese heritage in the UK who has been accused of trying to influence politicians here from our domestic security MI5. If one looks at this story, it's very hard to work out what the story is. People try to influence politicians, sometimes politicians try to be influenced. If we have a problem, it's the funding of politics and political parties, particularly in the UK, probably in America, and that seems to be more important than whether a particular person is trying to have influence. Because in this case, I wouldn't say it was a very successful outcome.

In looking at the really strange, panicky, and weird situation at the moment, I remember about 13 years ago during the great economic crisis when Chinese investments first really started to appear in London, and there was a lot of discussion in the media about how China was going to buy up the world. Of course, that didn't happen, but what I do remember at that time were many people who were interviewed and asked "should we be worried about Chinese investment" saying very strongly that this was not an issue because we set the rules in our own environments. That confidence seems to have gone, particularly here and in America and in Australia. There is this odd story of how China is a very strong threat to our values and our systems, but this seems to go a long way beyond the evidence and seems to make China into a problem that is different from what it might be. This is not about Asia, but about China.

I suppose the final thing that I have to say is that what really puzzles me in this situation is that for Europeans, China and Asia are not new. We have been interacting for 500 or 600 years. We have a long history. Henry just referred to a book coming out this year, which is not my book, but a collection of key documents by major European figures over the last 500 years about China. These are not China experts, but major intellectual figures such as Leibniz, Montesquieu, Voltaire, Marx, Hegel, Max Weber, Bertrand Russell and Roland Butt—very significant figures who wrote about China. The pattern that you get over that 500 year period broadly includes two narratives: one that idealizes China and another that is fearful and demonizes it. Leibniz and Voltaire represent the idolization. They regarded China, with its Confucian meritocratic system, as a valid alternative for what Europeans were doing at the time in the enlightenment, which has continued down to the present day. On the other hand, figures like Montesquieu wrote of China as being an oriental despotic place that we shouldn't copy. In the narratives that we have available, I don't see that the fundamental structure has changed. It's either to idealize China as some enormous trade and economic opportunity, or to regard it as a huge political and geopolitical threat.

There are two problems that I'd like to conclude with. The first is that if you regard China in particular, or Asia in general, as such major problems, how are we going to have a global system that confronts the existential problems I talked about earlier, which don't recognize and respect country boundaries. Secondly, with these very extreme narratives, we don't have the tools in our media, in our politics, in our public discourse and debate, to deal with what is clearly a very

complicated situation. We are trying to use pre-Newtonian physics to deal with a quantum era. This is very disastrous. Finally, we've introduced the idea of relativity into physics, but we certainly need to introduce it into geopolitics. I don't see why we are still haunted by storylines that were put in place 500 years ago and haven't been radically contested. This is an urgent problem that we have to deal with together, to create a more adequate narrative for clearly the enormously challenging period that we're all moving into.

Promoting Mutual Understanding and Cooperation between East and West

Henry Huiyao Wang: That's was fascinating. You've touched on historical views on China as well as your personal observations about the contradictory dichotomy we're in. On the one hand Asia and China are rising, but the rest of the world, particularly the West, does not accept that. So there's quite a bit of contradiction there. Asia has been economically taking off for the last half a century starting with Japan and the four Asian Tigers, and then China. ASEAN is also a marvelous success story as Kishore Mahbubani mentioned in 2017 when he wrote *ASEAN Miracle*. I remember the book launch was held at Peking University. But politically, China, and probably some ASEAN countries as well, are not really accepted by the West. Economically, Asia is doing well and will continue to do well. It will probably become the economic center of the world in the next half a century, yet how can we find a good narrative to describe them politically and also ideologically as Kerry mentioned? I think that The Asian 21st Century is a great start, but how can we truly reconcile the differences between the East and the West and accept each other. That really is the key. So Kishore, do you have any response to that?

Kishore Mahbubani: I think your question gets to the heart of the issue that we have to deal with, which in some ways Kerry Brown touched upon. We live in a world in which there are many immediate pressing global challenges. I'm glad that Kerry mentioned this Oxford professor who was listing the problems in the world, and that China was not on the list of the problems. It was climate change, pandemics, and we can name all of them. The challenge we have is that there are two imperatives coming to clash in the 21st century.

The first imperative, which I think is the dominant imperative, is that the world has shrunk. In the past, all of us 7.8 billion people, we lived in 193 separate countries, which was like living on 193 separate boats with separate captains and crews on each boat. Now the world has shrunk, and the 7.8 billion people are now living in 193 separate cabins on the same boat. And if you are in cabins on the same boat, there's no point taking care of your cabin if the boat is going to sink because of climate change or pandemics and so on. The imperative to cooperate has become very strong and very powerful. Logically if human beings were the most intelligent species on planet earth, that's what they should be doing.

But unfortunately, in the 21st century, another imperative is coming to play, which is the 2,000 year iron law of geopolitics, which states that whenever the world's number one emerging power, which today is China, is about to overtake the world's number one power, which today is the United States, the world's number one power always pushes down the world's number one emerging power. That's what my book *Has China Won?* is all about.

These are the two conflicting narratives that are hitting humanity. There's one imperative pushing us to cooperate. There's one imperative pushing the two great powers to engage in a major contest. In my book I devoted a chapter to what I call the "6 Billion People", because out of the 7.8 billion people, 1.4 billion people live in China, and 330 million people live in the US. There are still 6 billion people in addition to these. The solution is that it's very important for the 6 billion people outside to try and persuade the US and China to press the pause button on the geopolitical contest, and focus on the common global challenges. So I hope that more voices like the professor from Oxford that Professor Kerry Brown referred to who said, "humanity has much, much more pressing challenges to deal with, and that's what we should focus on."

You mentioned ASEAN. If you could talk privately and secretly to the ASEAN leaders, whose countries make up 650 million of the world's population, a significant group, their wish is for the United States and China to really stop this contest and help them deal with the more pressing challenges that they face like Covid-19, climate change, poverty, the need for development and so on and so forth. So I hope that there will be more voices like the one that Professor Kerry Brown referred to, speaking out and saying let's press the pause button and focus on global cooperation.

Henry Huiyao Wang: You really outlined this well. Over the past 70 years, Western countries have taken the lead and now Eastern countries have really caught up. The two conflicting imperatives have brought us to a crossroads. We are in a trade war, a tech war, and are facing decoupling. So how can we solve these problems?

Professor Calder, you live in the US and you're seeing this happen. This year marks 50 years since Nixon's visit to China and the China-US joint communiqué, but the issue of Taiwan is still with us. The United States has also sanctioned over 600 Chinese companies and China has sanctioned American companies in return. As Professor Mahbubani said, the number one power really wants to push down the number one rising power, resulting in some conflict.

But do we have a chance to work together now? This pandemic caused us to lose a golden opportunity to work together. Now the US is talking about "Build Back Better World" or "B3W", while China has the BRI. Infrastructure has become the biggest common denominator for the world and everybody recognizes that infrastructure is crumbling in some countries and desperately needed in developing countries. The EU also announced the €300 billion European Gateways program. Is this something we can work together on and set aside our differences?

Kent E. Calder: I think the first thing that I would say is that we need to be realistic. There are some areas of deepening conflict, for example, in electronics technology, the civilian sectors, and defense related sectors, and particularly in areas like artificial intelligence and possibly 5G. They are coming technologically closer together and so there are some natural tensions that arise for that reason.

That said, I think the implication of that is that there needs to be negotiation. There needs to be more dialogue to deal with that particular dimension. Additionally, I think that there is a danger in this kind of an era of transition. Some parallels can be seen in the earlier transition from the height of the British Empire to an era of a larger and stronger American role in the world. Professor Mahbubani has also talked about this at times. This is easy to happen in a period of transition. I think more dialogue and even some formal negotiations are needed. I think we could be headed into situations similar to those between the US and the Soviet Union in an earlier age. Strategic dialogue between China and the United States is necessary, but I think the more important issue flowing from our discussion here is, as Professor Brown put it, that this should be a human century. This should be an era, as Professor Mahbubani said also, of globalization. China's leader of course was mentioning these things in Davos in his speech, which I thought was eloquent. This is a global era and there are reasons to be optimistic if we look to the intermediate and long-term future.

Demography has not been mentioned here. The West has grayed over time and the broad and non-Western World of course, has a much younger population, particularly places like Africa and South Asia and so on. Japan and Korea are already there, but in 15 or 20 years, even China, will change in terms of its demographics. The larger role of senior citizens in society will become more important, which points to one thing, which I think I can't help thinking about being from Johns Hopkins University, which is very much in the health care and the medical area.

I think healthcare is really a key area, especially if we look to a 10-year or 20-year time frame. Those that have gone before can certainly give lessons to those coming. Japan in that sense, has some things to say to the West and possibly for China and others on the challenges of healthcare and what to do. We need cooperative research. It seems to me as a tragedy that we have so much of the world's population that is not yet vaccinated against Covid-19. China has certainly played an important role with vaccines, while the United States has developed some impressive vaccines as well, but there's a European dimension to this. There's a lot more we can do on the Covid issue and is in the interest of all of our nations, because as we've already seen with the Omicron variant coming out of South Africa, or the Delta variant coming from India, that the whole world can be threatened potentially by the variants in Covid-19. We need better cooperation in that area as well as other parts of healthcare.

Let me say just a word about infrastructure because you mentioned it and I know that we agree on this point. In my book *Super Continent: The Logic of Eurasian Integration*, which I'm grateful will be published soon in China, I talk about the infrastructure needs of the whole continent in detail. Of course, China

has played a pioneering role. There's no question that China's Belt and Road Initiative is an astute grand strategy that will have broader global implications that I think on the whole are positive.

I've developed an idea that I call distributive globalism. Essentially, rather than thinking about zero sum conflictual regulatory ties that are far more constructive to distribute resources. Of course, not all problems can be solved that way, I believe there are certain areas where we have to be realistic, but infrastructure is not a zero-sum area, it's a plus-sum area. Many of the initiatives that China has implemented are important, as are Build Back Better and European Gateway. I think the major parts of the world understand this very well. Singapore has also played a significant role in infrastructure. We have the AIIB as well as the Development Finance Bank in the United States and a lot of new institutions. Would it make sense to think about a global infrastructure fund or global institutions, as well as healthcare promotion institutions from a broad multilateral point of view? I think we need to be thinking outside the box in terms of some of the new cooperative institutions in the area of healthcare and infrastructure.

Henry Huiyao Wang: I think your idea of distributive globalism is very interesting. The world today is badly in need of infrastructure. I just talked to your colleague, also a good friend of mine, David Lampton, not too long ago. He wrote a book called *Rivers of Iron* about the China-Laos Railway that just recently opened last month. China is starting to connect ASEAN countries by rail. I think we have to find big things to work on and create hope, otherwise we're going to lose confidence, which is very bad. We have to work on climate change, infrastructure, and the pandemic first, which is an urgent issue for China, the US, and the EU, but the whole world needs to work together.

On Democracy and Ideological Narratives

Henry Huiyao Wang: We've had quite a few conversations on China and we see two narratives. For example, the US is emphasizing the American style democracy, while we see China also holding democracy forums. While the rise of Asia and China economically is fine, it's the ideology and the style of government, or in particular the values, that the West seems to have problems with, especially in terms of China. How do you think we can reconcile this? We've seen challenges to western democracy too, like what happened at Capitol Hill on January 6th. The democratic system works in China. We have a meritocracy and consultative democracy as well as a consistency that's lasted from one 5-year-plan to another that's created a modern decision-making system. The system is as effective as Western democracy or even more if you look at the performance of different countries.

Kerry, what do you think? How can we really make peace with these two narratives or at least accept each other? Can the West accept China's current values and ideological differences?

Kerry Brown: That's a tough question. If I were to be extremely flippant, I would just leave this question for the next generation, or two to three generations. I think, a bit like Deng Xiaoping said about certain political issues like Taiwan—just leave it for the next generation or the generation after that. If someone were to arrive on this planet from Mars, but could communicate with humans, I think they would work out pretty quickly that there's a powerful group broadly around the United States that has one view and there's another group broadly around China for economic reasons, but not necessarily very politically aligned with China. These groups don't agree. That's all you could say. They don't get on and they don't agree. And they don't need to try to pretend they get on. I think it's important to stop trying to pretend.

We've got enough issues that dictate how we are going to behave. Climate change doesn't care about values. Pandemics don't really care about values. Government responses to the pandemic have not really varied massively whether they were democracies or non-democracies. Everyone has struggled. They've taken very different routes. China's route has been one. The European route has been another. They've all had some challenges and they've had some successes finding the vaccine. It was obviously an important thing and there was no winning or losing. We all are kind of on a flat earth here and I think that's really important that we give up on this idea of there being a conclusive debate about which values are preferential. There are things that work and don't work, and the big issues now are going to dictate what we need to do. We are wasting a lot of time at the moment arguing about unresolvable values issues when we clearly have evidence every year of our climate being a problem. Europe and Germany last year had floods that killed many people as has China. So this is very obvious and the same problem.

I think COP26 last October is a good example, because beyond all of the arguments about who attended and who didn't attend, the end result did not solve the problem, but it gave a good basis. I think it's really good to look at COP26 and say it is much better to have an agreement like that, even though it's not perfect, but at least it gives us something to work on. Without that, what would we do? And although there are going to be many arguments about how to get rid of fossil fuels, I think personally, it's likely that China will move more quickly. China clearly doesn't want to sign up to binding agreements before it knows what's going to happen, but it's in China's interest as well as the interests of Europe and America to urgently do something about this problem. We're all pretty rational.

I wonder if we were just to pause for a week without social media or media at all, just a week of silence, global silence, whether we could work out what really matters. I respect the views of others here too. It doesn't matter if you're in China or Europe or America because we all want a good climate, clean air, clean water, and prosperity. Finally, the very strange thing about domestic politics in Europe, in America, and in China at the moment is actually that they are quite similar. Britain is struggling with inequality and leveling up. America obviously has very big issues due to the impact of the pandemic on different groups and how unequal

that is. Common prosperity in China, as I understand it, is also about trying to level up, because there have been big inequalities during the reform period with some people gaining and some people losing. So there's a very similar agenda here.

Finally, if we look at the kinds of economic challenges that the pandemic and other things are bringing, it's going to be a challenging time for everyone. Growth is going to be really challenged. There's no one that's going to come out of this very easily. I am interested in how politicians, particularly in Europe, are going to be able to sort of maintain this strong conviction that we are in such a luxurious and strong position that we can completely ignore our economic interests and say we're not going to deal with anyone who doesn't agree with us. When in fact, economically, we're going to urgently need to find new partners and sources for growth. In the UK in particular, because of Brexit, we have obviously complicated our relations with our prime economic partners in Europe. The whole idea was to have a global Britain narrative where we had stronger relations with China in particular, which is the world's second biggest economy. And yet, in fact, we see this complete ambiguity where we know that we need to have this stronger economic relationship because China is not a big investor in the UK and not our biggest trading partner by a long shot. On the other hand, politically we still think we have the luxury of having bigger arguments about issues about which very few of our politicians don't really have much knowledge, and wouldn't really be able to resolve if they were given 10, 20 or 30 years.

I think we have to really be honest with ourselves in this, and the most important thing for policymakers to do is to stop giving themselves the illusion of choice. We should understand how we're standing and what we can do better, but I don't think that we can give ourselves such ambitious ideas as to try and change the views of others about their values. That clearly isn't feasible and it certainly hasn't worked so far. I don't see any reason why it will work in the future.

Moving Past the Self for the Common Good

Henry Huiyao Wang: Working on common issues is important, but you don't think changing values can influence each other? If not, then why is China constantly pressured on issues like human rights or democracy? Western countries are insistent that China change some of its positions. As Professor Mahbubani mentioned in his book, from year one to the 18th century, China was dominant among Asian civilizations. It had the largest GDP in the world. But for the last 200 years, China has been falling behind. Now we're talking about the rise and return of Asia and China. Can the world accept that? How can the world accept that? What are the things that both sides need to do?

I am going to ask the same questions to Kishore now. What can we do about reasonable rise of Asia and China despite their different values, even within Asia, which clearly does not have a unified values system? It's a diverse group, but at least there is economic integration. The RCEP went into effect on January 1st and

it's the largest free trade agreement in the world now. There's also the CPTPP, which also has Asian countries in it. We hope China will continue to build economic alliances, despite the rise in military alliances and security alliances like AUKUS or Quad. What can be done?

Finally, Kerry mentioned climate change, which doesn't care about values. On this front, China has actually developed some of the most advanced technology in clean energy vehicles and is now the largest solar power producer, the largest wind power producer, and the largest hydro power producer. China is really moving fast on these fronts and can benefit the whole world if we really recognize each other's right to exist. How can we do that?

Kishore Mahbubani: As usual, you've raised very good challenging questions. When this session began, I was asking myself "what will be the outcome of this discussion among the three of us". We have one scholar from United Kingdom, one scholar from United States, and you in China, and me here. We could have ended up with very divergent points of views, but I have so far noticed in most of the points that have been made, a great convergence. For example, Kent Calder said that infrastructure is not a zero-sum game, but a positive-sum game. Frankly if America builds a road, it boosts economic productivity, when China builds a road, it boosts economic productivity. It's a positive-sum game, so both sides should build more roads, and not see this as a zero-sum game at all. Similarly, I think the key point that Kerry Brown is emphasizing is about the pressing global challenges that we face, which are actually much more important and we should all be coming together to deal with them. So if people were listening to this discussion, they would end up saying that "hey, we can feel more optimistic about the future of the world".

But as you know also there are voices that are discordant and that's why I'm looking forward to seeing the book by Kerry Brown on traditional European voices on China, that those which idealized China and those who demonized China. There is a very strong powerful constituency, especially in the United States, who are demonizing China today. Let's be very clear about that. Unfortunately, there's a bipartisan consensus on this in Washington D.C. and there is a very strong element of it in the media as well. The net result of which is that, sadly, even though the West created the whole idea of trying to arrive at understanding through reasoning and scientific analysis, this process has been thrown out of the window when it comes to trying to understand China in today's political context, especially in the United States, but also to some extent in the UK and Australia too. The tragedy here is that there's absolutely no reason for there to be a clash on values between China and the West, or China and America, because China is not exporting its values to the West. The West can keep its values. You can remain democratic. You can preserve human rights. China is not trying to change Western society at all. China, as we know in Southeast Asia, stopped exporting communism after Deng Xiaoping came to Southeast Asia and met with Mr. Lee Kuan Yew and they agreed that Southeast Asian nations would choose their own political systems. At the end of the day, the best thing that the

western societies can do is to say “let history decide which are the best political systems” and time will tell.

In my book, I say that if this really is a black and white contest between democracy in America and authoritarian systems in China, then the West can relax, it's going to win. But if you look functionally at American society, American democracy, as I document in great detail, has become a plutocracy. And that's why there's so much unhappiness among the bottom 50% in America. Chinese society is a meritocracy and the Chinese Communist Party is forced to find the best minds in China to serve in the Chinese Communist Party, which produces very intelligent public policy solutions, including those on climate change. So how you define the debate is also very important. So the best thing you can do, frankly, is to just press the pause button on all these disputes and focus on what's really important today. I think this is what Kent Calder and Kerry Brown were emphasizing. Issues of climate change are staring us in the face. Every year that we waste is dangerous and we should be focusing on common human challenges. I'll be very happy to call it the “human century” when we come together as 7.8 billion human beings. Let's forget our American identity, our European identity or Asian identity and just remember that we are all an endangered species on planet Earth, which would be a fantastic outcome from this discussion.

Henry Huiyao Wang: I'd hope that when tycoons from Tesla or Amazon fly into outer space and look down on Earth at our global village, they realize that we're all human beings and have no differences at all.

You talked about plutocracy which reminds me that the US is now governed by the 1% and for the 1%. It's true that the income of the American middle class hasn't gone up at all for the last 30 years, as you stated in the book, whereas China has been very careful about that. For the last ten years, China's current leader has tackled extreme poverty and totally eliminated it. That's really a big achievement. And now they are calling for common prosperity, which is focusing on the 300 million migrant workers living in the cities, like couriers, Didi drivers and others. In the US, as you said, the bottom 50% hasn't really gotten better, while I've noticed that the 1% of Wall Street have made huge profits even during the pandemic. However, American multinational businessmen are not benefiting much of the Rust Belt and Midwest. I was talking to Martin Wolf, who said that global and politics has become local. People keep voting anti-globalization politicians into Congress, who then bash China and make it a scapegoat just to survive in politics. So my question is how can we change that? China is trying to help and has already provided two billion doses of vaccine to the developing world. Yet China is often demonized in the West. How can we change that? Professor Calder, from US perspective, what can we do on both sides? China probably could do better with its narrative, but this economic globalization has created such a big challenge and China is taking the blame now for that as we can see with the trade war.

Kent E. Calder: As I said, one thing I think we do have to realize is that in some ways there are technological forces that are driving us toward greater conflict. We have to have some degree of realism and I would say that the next ten years is going to be a delicate transition period. To me, that's precisely what drives the importance of a broader and more effective vision for what can be done, which I think has to be more concrete. It involves a broader understanding in the West, including areas within the United States that, as you have said, have not benefited from recent developments.

I was very interested that you had spoken to Angus Deaton, who was a colleague of mine for many years at Princeton University, and of course, has written, I think very eloquently, about the problems of the American working class. I think much of the actual tension in US-China relations is driven by security-tinged issues and by things like technology, but the political side of this tension can be quite irrational and is driven by the deepening frustrations of our working class in the Midwest and the Rust Belt.

Because of your global perspective, I think politically speaking inside the US you could probably have more salience in the short run. That said, it needs to be combined with what you are doing here at the Center for China and Globalization. You have very impressive dialogues with opinion leaders, some of whom are globalists and mutual friends like myself, Joseph Nye and Tom Friedman, but I was also very interested you'd spoken with Angus Deaton. I think by reaching out, you present some of the important things that China has done, such as a reforestation, electric vehicles, and its role in foreign investment, including American investment. If I'm not mistaken, one of Tesla's largest factories is in Shanghai.

So, I think a vision for the kind of world that we need is important, which should include appreciation and increased information about the important things that China has done. More attention to the issue of dialogue with the middle class and increasing the understanding of our working class is also politically pivotal in the United States, even though their direct conflicts with China are far less than is often thought. It's a complex question of improving relations, but I think the multilateral context together with increased attention on economic shared prosperity, and issues where we do have common views like infrastructure and healthcare, are quite crucial.

Henry Huiyao Wang: I had a dialogue with Angus Deaton a few months ago and he impressed me very much with his very solid research in which he actually studied America. For example, the life expectancy in the US has dropped a year or two and now China's life expectancy is only a year or two apart from the US. I'd like to ask Kerry, living in the UK after Brexit and hearing talk of a global Britain, do you think that the UK still has a big role to play? Rather than participating in AUKUS, we would like to see the UK play a greater role in the CPTPP and talk with China about reviving Asia. As Kishore said, we may have different values and systems, but economically everybody shares the same benefits and recognizes the value of that. The UK has a lot of influence

in the West and the US and your Prime Minister is talking about having a good relationship with China. How can the UK play a positive role in balancing all those differences?

Kerry Brown: The integrated review, which was produced by the United Kingdom as a foreign policy document last April, tried to look at all of our foreign policy issues and spell out a bit what the global Britain story was. I think it's a good document and probably one of the best ones that this government has produced, spelling out this idea of relationships, specifically with China, being collaborative, competitive, and then adversarial. That's the same structure as the United States as was outlined by Anthony Blinken in his speech last year. It's also the same in European Union documents.

The question is where do we agree with each other on where China is collaborative? Where it's competitive? And where it's adversarial? Everyone has a different view and I think for the UK, we will be led by where our economy goes, because the whole logic of Brexit was that we would get out of one set of relationships, so that we could then become a different kind of trading, investment, and economic entity. We have signed free trade agreements with Australia and Japan, but they have not delivered a great deal. The obvious one would be with China and we in theory, should be able to be free to sign such a deal, but that's really hard at the moment because politically the United Kingdom is having a difficult time with China. It's also needing to show that it is aligned with the United States and I think this will not be resolved until we're clear about the economic impact of the pandemic and of leaving the European Union.

As I said earlier, if our economy is compromised and negatively impacted by both of those things, which I think it will be, then I think we're going to be very pragmatic. The United Kingdom has a strong kind of strand of saying "business is business and other things are other things". And at the moment, there's a lot of tension. Part of the government wants assertion of our special values, of our role in the world, which I think is ambitious and unrealistic. But there's also strong support for being pragmatic, doing work on investment and on the economy. As I said, Chinese investment in the UK is 0.7 percent of investments from abroad. That's very small. Chinese exports to the UK are also far greater than British exports to China, and that's actually gotten worse in the last two years. If we don't do something, a lot of the reasons we exited the European Union become even more mysterious. We're meant to improve our relations in terms of trade and investment with partners like China. But if we say, in fact, we can't do that because of other reasons, that's a very different story than the one that we were telling ourselves even a couple of years ago. My personal view is that I think our politicians will speak differently when the seriousness of our economic position is clearer. If the economy is slightly better, then we'll probably maintain the position that we have now, but I suspect that that's not likely.

Henry Huiyao Wang: I feel there will always be economic cooperation and integration, but the differences will remain.

The Future of Asia's Rise and the World's Reaction

Henry Huiyao Wang: I think we've had a very fascinating and stimulating discussion. We talked about the Asian 21st century, the return and the rise of Asia and China, but now the final question I'd like to ask the three of you, especially because Kent just mentioned the next ten years are going to be very challenging, is when do you think we'll reach a new equilibrium where we can peacefully co-exist and not bash each other so much? I talked to Joseph Nye and he said maybe by 2035 we will see another new world in which we are more accepting of each other. Kishore what do you think? We talked about the return of Asia and the rise of China. When will the world accept this reality? How long do you think it's going to take? Maybe in five years, ten years, fifteen years, or twenty years?

Kishore Mahbubani: First, I want to completely agree with Kent Calder when he said about being realistic. The thesis in my book *Has China Won?* is that the next ten years will see very rough relations between China and the United States and I take that as a given. But at the same time, I think after you come out of the storm, and there will be a big storm, there will be a realization that China's rise cannot be stopped. The return of Asia cannot be stopped. And at the end of the day if you asked me what is going to decide everything? That would be data.

So, if the IMF shows that China's GNP is now number one and United States' GNP is number two, that'll change the whole picture dramatically. The profound changes happening in the world in terms of economic weight and power just end with two statistics. In the year 2009, China's retail goods market was \$1.8 trillion. The United States' was \$4 trillion, more than double that of China. By 2019, China had grown to \$6 trillion while the United States was at \$5.5 trillion, smaller than China. So, this is what is going to move the markets and then going to move the world.

I'll give you another piece of data that everyone should also know. In the year 2000, Japan's economy was eight times the size of ASEAN. Today, Japan's economy is only 1.5 times the size of ASEAN. By 2030, the ASEAN economy will be bigger than Japan's. You can see how the world is being changed by these incredible economic shifts of power. By 2030, the data will show very clearly that power has shifted to Asia and I think that's when people will say "ok, let's start making pragmatic, realistic adjustments". Finally, I want to emphasize that neither China nor Asia want to dominate the world. They want to work with the rest of the world.

Kent E. Calder: As always, I find Professor Mahbubani's work stimulating. He's been one of the most important commentators on this transition that we have now. I like his new book as I like everything else, more or less, that he's done. I very rarely disagree with him, but there's just one small cautionary note that I think we should introduce here, namely, demography is at work. I was a Japan specialist, so I'm particularly sensitive to this, but we should be aware

of straight-line projections. I have no doubt that we are coming into a new era where the non-Western world, once again, will move to preeminence similarly to what was historically true and there will be a different balance within the non-Western world. Demography will play a role in this. I have thought for many years that the grand strategy of China as a student and many of its initiatives have been right for the present and the future. But demography is going to play a role in balancing. Japan has declined economically and both European and American growth have slowed down. At some point, within the non-Western World, China certainly will be the largest and the most significant, but China's growth is going to slow also. And I think actually that will help to produce what we're all projecting for the coming decade and greater stability in international relations. Asia will be preeminent, but there will be a different balance within Asia than we have seen in the past. That too, I think is in the end will turn out to be a positive thing. It takes us back where we have been saying all along about cooperative projects to make it easier in the short run for infrastructure and health.

Kerry Brown: I think the work that you're doing, Professor Mahbubani, is important, because in Europe and America people have not quite understood this fundamental change that's been happening for a long time, but is now quite real. I think we should be less sensitive with ourselves. We have this worry when we hear that there might be a different kind of power, but it's not the sort of power that we fear it to be. There are other challenges and I think the ones that we're worrying about are not the ones that are worth worrying about. It's something very different. It's a world of complexity that we're moving into and that's the problem, not the idea of a new power coming and dictating what everyone's going to do. That would be easier to deal with. But we're looking at a lot of complexity. So I think the messages of your books are ones that are obviously difficult for people to listen to in Europe and America, but we have to listen to them. Otherwise, events will simply overtake us, which in the last couple of years seems to have been happening. We have to make sure that we get on top of things, so I do appreciate the work that you've done and the dialogue we've had today. It's very important.

Henry Huiyao Wang: We talked about this new book, *The Asian 21st Century*, and also the return of Asia and the future of Asia as well as the implications for the world.

Actually, two weeks from now, the Winter Olympics will be held in Beijing, fourteen years after the 2008 Summer Olympics, making Beijing the only city to have hosted both the Winter and Summer Olympics. In 2008 China embraced globalization and emerged onto the world stage, which was welcomed by the international community, followed by the 2008 financial crisis, which really highlighted the rise of Asia and China.

Again, the Winter Olympics is another opportunity for China to embrace the world and I hope that it will still serve to unite the world. There are so many athletes and country representatives that will come to China despite

the pandemic, so we hope to see a lot of dialogue, a lot of exchange and a lot of sportsmanship. I really like the new motto for the Olympics this year, which was also used at the Tokyo Olympics: Faster, Higher, Stronger, and Together. Together is really important.

I hope we will continue to have dialogues and break down our differences. I also hope the next ten, twenty, and thirty years will be peaceful and we can work together.

Lessons from History for the Future

As the world becomes smaller more closely integrated, we have the potential to learn even more from the histories of the various peoples and cultures that make up our one and only planet. Whether it is the lessons of World War II, the annals and teachings of Sun-tzu in the Art of War or the experiences of post-war reconstruction that put in place the systems and structures that make up the world today, it is important to look back and learn from our history as we look to the future.

The United States, as the main architect of much of the world after the Second World War and the steward of the so-called Pax Americana, naturally has many lessons for the world. Its presidents have negotiated and coordinated countless peace accords and multinational treaties, making them true global leaders. Recent leaders such as Jimmy Carter and George H.W. Bush have made a special impact because of their experiences with China from early on in their lives. This direct interaction and understanding of the world is an important lesson for American presidents today in trying to navigate a world that is even more diverse and complex than it was several decades ago.

The new realities of US-China relations have made this especially difficult for presidents like Donald Trump and Joe Biden, who are dealing with a world in which the United States is losing ground and influence, in both geopolitics, economics and trade. It would behove them to learn from the experiences and strategies of their predecessors as we venture forward.

This begs the question of where we go from here? As we approach a crossroads in US-China relations and ultimately the direction of a global future, it is essential that we look to history to gives us both direction and clarity.

The Jimmy Carter Legacy and Lessons for Moral Leadership in the 21st Century

A Dialogue with Paige Alexander and Yawei Liu

Henry Huiyao Wang, Paige Alexander, and Yawei Liu

Leadership takes on many forms and the experience of past leaders act as a mirror for the future so that we may improve and move forward. The legacy of President Carter, especially in relation to US-China relations, looms large and provides us with a new, more constructive and more positive outlook on how the United States and China can co-exist and even prosper together.

In this dialogue, Dr. Henry Huiyao Wang, Paige Alexander and Dr. Yawei Liu discussed how this exceptional organization has contributed and continues to contribute to efforts in promoting cooperation and partnership between the US and China to resolve conflicts, improve public health and deal with global development issues.



Henry Huiyao Wang in dialogue with Paige Alexander and Yawei Liu

Ms. Paige Alexander serves as Chief Executive Officer of The Carter Center from 2020. During her tenure as CEO, she has provided thought leadership on issues related to peace, health, and the nexus of the two, authoring essays and op-eds. She is a distinguished leader in international development and has been a part of many organizations including USAID, the largest and most active international aid agency, IREX and the European Cooperative for Rural Development (EUCORD) and she has been in charge of a vast number of projects in Africa, Middle East, Europe and Eurasia. Earlier, she was associate director of Project Liberty at Harvard Kennedy School and a consultant to institutions including the C.S. Mott Foundation, the Rockefeller Brothers Fund, and the Open Society Institute in Prague. She is the recipient of several awards, including the Atlanta Business Chronicle “Most Admired CEO” and Georgia Trend Magazine’s “100 Most Influential Leaders.”

Dr. Yawei Liu is the Senior Advisor on China at The Carter Center and an adjunct professor of political science at Emory University. An expert on US-China relations and Chinese grassroots democracy, he is a member of the Council on Foreign Relations and the associate director of the China Research Center in Atlanta. He also sits on CCG’s academic advisory council and has made many visits to China. Dr. Liu has written extensively on China’s political developments and grassroots democracy. At the Carter Center, Dr. Liu directs the Center’s China Focus. He is chief editor of the Center’s “US-China Perception Monitor” and “China-America Stories” websites. Dr. Liu earned his M.A. in recent Chinese history from the University of Hawaii, and Ph.D. in American History from Emory University.

The Carter Center is a nonprofit organization founded in 1982 by former US President Jimmy Carter and former First Lady Rosalynn Carter to advance peace and health worldwide.

President Carter’s Legacy

Henry Huiyao Wang: This is a very interesting time. A week ago, we had a discussion with Neil Bush, the third son of George H.W. Bush and the President of the Bush China Foundation. It was 50 years ago that Dr. Kissinger first made his secret visit to China and we’ll also be looking back at the past half century and to the future against the background of 50 years of China-US exchanges. But both President Carter and President Bush have made a lot of great contributions to US-China relations.

President Carter will be 97 years old on October 1st, which is also China’s National Day, which is why we’ve often heard President Carter say he shares his birthday with the most populous nation in the world. And, of course, we know that he officially established diplomatic ties with China on January 1, 1979.

I still remember late-1978 very well. I was on my university campus after lunch, walking to a classroom when I heard on the campus loudspeaker that

China was going to establish diplomatic ties with the US in January, which was exciting news because we knew it meant China would be open from that point on. This was truly a milestone that President Carter achieved and of course, he invited Deng Xiaoping to visit US in February 1979. From your point of view, what is President Carter's most enduring legacy, not only as a political leader, but also a global citizen?

Paige Alexander: President Carter has often said he shares his birthday with most populous nation in the world and I think President Carter really left an enduring legacy in terms of the domestic and foreign policy. For modern-day audiences, much of these legacies have been illustrated in a great documentary, which I recommend, called *Carterland* as well as two recent books, one by Jonathan Alter and one by Kai Bird. It really gives you a much more modern sense of the legacy that he left. I admit, even as someone who has served in three presidential administrations myself, I was amazed to learn that so much of what those administrations did really had their beginning from policies during the Carter administration. I'll give you a few examples on the domestic policy legacies. He talked about climate change. So, 40 years ago, President Carter became the first President to acknowledge the need for renewable energy and he had 32 solar panels installed on the West Wing roof of the White House. And he said something like, a generation from now, solar panels can either be a curiosity, a museum piece, an example of a road not taken or a small part of one of the greatest adventures that the American people will undertake harnessing the power of the sun. And now there are a little bit of all of those – we have one of the solar panels in Carter Library and Museum, while there are others throughout the country. And his entire farm is now solar-paneled, so you see that he was ahead of his time there.

He also continued his domestic environmental protection policies. He established the Department of Energy, doubled the size of our National Park land and doubled the wild and scenic wilderness areas in the Alaska Lands Act. He did things like fighting carbon emissions back in the late 1970s and really sought to save consumers money with vehicle fuel economy standards and energy efficient home appliances, which we all are using today. He created the Federal Emergency Management Agency (FEMA), which, I think everyone has heard of in the news, and has been essential again this year, especially in the last week with the California fires and the hurricane in Louisiana. He also was ahead of his time in focusing on diversity. He appointed more minorities and women in key administrative and judicial positions, 41 women to judgeships, including a name everyone is familiar with now – Ruth Bader Ginsburg, who later rose to the Supreme Court. Again, domestically, he created the Department of Education. He deregulated the airline industry. He did things that had become essential in most of our modern day lives. It was an oddity at the time, but he deregulated the beer industry, and he also freed up many other industries such as reforming the federal communication regulations, which really enabled the rise of real and fake cable news to compete, but I'll say that one might question whether now that was a good idea.

His foreign policy legacies are equally as impressive and pretty much seen as game-changing for the US and on an international level as well. These include some monumental successes, like the Camp David Accords, the return of the Panama Canal, nuclear arms reduction with the Soviet Union, and a steadfast belief in diplomacy where he refused to use military means to confront crisis such as the Soviet invasion of Afghanistan and the Iranian takeover of the American Embassy in Tehran. He created the Foreign Corrupt Practices Act to hold people accountable. He established the Democracy, Human Rights and Labor Bureau inside the State Department, which acted as a moral check on our foreign policy. And normalization of relations with China, of course, which I'll let Yawei talk about later. And then after the White House, he has spent the last 40 years continuing to show the world what type of person he is. He's always acted from a personal narrative, not a political one. He has integrity, honesty, and candor and a commitment to the public good above all else. His post-White House years have been devoted to causes that are important to him, such as advancing human rights, alleviating suffering and offering help and a helping hand to those who need them.

I'd be happy to talk more about The Carter Center and all of his legacies, but I think it's really important, especially for people of my generation and younger to have a much better understanding of what his White House years were like because that is one important piece of his legacy, while his 40 years post White House are equally as important, but I can talk more about that later. I should let Yawei answer some of the questions regarding the opening with China that you were talking about.

Henry Huiyao Wang: He's a great President and established a lot of new agencies, including the Department of Education, but he was a visionary in his focus on the environment and climate change back in the late-70s. That's remarkable and he's clearly a pioneer in that area. I was also encouraged to hear that after leaving the White House, he has been so active—founding the Carter Center and particularly continuing to maintain good relations between the US and China and trying to build platforms for dialogue, including conferences and seminars. I visited The Carter Center many years ago in Atlanta and was quite impressed with its many milestone projects. Yawei, you can share with us President Carter's legacy on China-US relations?

Yawei Liu: You have a good relationship with The Carter Center and you also observed one of the US elections, if I remember correctly, in 2012, when Obama was running for his second term. We were in Chicago, Purdue and other places in the US. You mentioned that 2021 is the 50th anniversary of Kissinger's secret trip to China, but I think obviously there is a conflict of interest here. I do work for President Carter, but I also want to say the Chinese are unduly fascinated by Kissinger's secret trip and then President Nixon's visit to China in February 1972. Of course, this is considered to be an icebreaking trip that opened the door to China. Paige mentioned that Jonathan Alter, whose recent book is the very best. Actually, I'd like to quote him saying that Kissinger and Nixon only opened

the door very slightly. It was President Carter and Vice Premier Deng Xiaoping that swung the door wide open. There are people that want to close this door now, but the door was opened so widely by President Carter and Deng Xiaoping and so many people were able to go through it in all kinds of directions that no one can actually close it.

But back to 50 years ago, if you look at the six or seven years after the trip, President Nixon and then later President Ford were unable to make the final move and even though President Ford visited China. When he came back to the US, he faced in-party opposition by people like Ronald Reagan and George H.W. Bush, so he wasn't able to do it. Then President Carter was elected in 1976 and after he got into the White House. I think he issued the marching order to Vance, the Secretary of State, but also to Brzezinski, his National Security Advisor, basically saying let's get the negotiation started. If you look at the career of President Nixon, it was much easier for him to say, "I want to go to China" or "we want to open the door to China", because his whole career was built on anti-Communism. He and his House Un-American Activities Committee ruined the career of so many Americans who were sympathetic to China. So when he said he wanted to go to China, nobody questioned his motive and no one would say he was soft on Communism, but when President Carter was going to do it, he faced a lot of political hurdles because his predecessor, President Truman, was accused of losing China in 1949. That's why President Johnson and President Kennedy both wanted to open up to China, but both decided politically it would not possible. They would have faced rebellion in Congress and elsewhere, and the Taiwan lobby was very effective, so it was in this context that President Carter made the decision and he personally instructed his representative, Leonard Woodcock, who was a good friend. I remember President Carter telling us, "I appointed Leonard Woodcock to be in charge of US dealings in China before there was a US Embassy not because he had good knowledge about China, but because he was a good negotiator that united all the workers and he's good at negotiating with workers, with the management and companies."

The last thing I want to say here is about Nixon and Kissinger. Opening the door to China was largely a strategic move, because they wanted to get out of Vietnam. They wanted to play the China card against the Soviet Union. For President Carter, it was not just strategic but also emotional. President Carter grew up in Plains, Georgia, and every week he would donate a nickel to the Baptist missionaries, because they were working in China on schools and hospitals. He made his first trip to China in 1949, around his 25th birthday. He was a sub-mariner and he visited Qingdao and Shanghai and other places where he really witnessed the disaster and catastrophe of the Chinese Civil War. Later, he finally was able to invite Deng Xiaoping to visit the United States. We all watched that visit. I was a freshman in college and I watched it on a 9-inch black and white TV. For the first time, we saw live shots of the United States and then we realized that this was not a country that was going to be overthrown by China anytime soon or a country that would collapse anytime soon. I grew up both intellectually and knowledgeably with normalization. So again, I want to

emphasize, Present Carter's contribution to the US-China relationship is probably more significant than Nixon's and Kissinger's.

Henry Huiyao Wang: That's a great historical account of those landmark years. It was President Carter that made the final decision to formally establish diplomatic ties with China and also issued the Second Communiqué with China, which was really important in establishing diplomatic ties and cutting diplomatic ties with Taiwan. I think it was a bold move at that time, but the decision that President Carter made not only changed the US, it also changed China and the world, because the world has been transformed in the forty-plus years since China and the US actually got together. It's really great to look at the legacy of President Carter – when we look back particularly during this difficult time—it's important to remember how it started and where we came from.

The Carter Center—Carrying on a Legacy

Henry Huiyao Wang: Ms. Alexander, you're now CEO of The Carter Center. How did you get to know President Carter and how did you attract President Carter's attention to be appointed as the CEO of The Carter Center, which is such an important organization?

Paige Alexander: I grew up in Atlanta during the 70s and 80s. It was not quite the village of Plains, Georgia where the Carters come from, but it was a smaller place back then. Because Jimmy Carter had been in politics in Georgia and the governor of our state in the early-70s he was really well known to a lot of people in Atlanta. So when he became President in 1976, many of his staff came from Georgia and my parents happened to know someone in the White House office. They had invited my mother to come see President Carter and welcome Margaret Thatcher, the then Prime Minister of the UK, in 1979. I have three older brothers, but my mother picked me to see the first female Prime Minister and I also then got a chance to meet President Carter. Although I had driven by the governor's mansion every day growing up going to school because he lived down the street, I had never really met him until 1979 when I was a teenager. So fast forward 40 years, they were looking to fill the CEO position at The Carter Center, and I got a call. I was living and working in Europe and I couldn't have imagined a more perfect job. My family also lives here in Atlanta and it gave me a chance to return home and be at the helm of a world-renowned non-profit organization that truly encompasses every single element of my professional and personal career, from the political campaigning to the public service to international development work. I knew President Carter was a courageous and visionary leader when he was in the White House, but I've been even more impressed with his post-White House work. I went through a series of interviews including a wonderful opportunity to spend the day in Plains right before Covid shut things down. I enjoyed a whole afternoon with the Carters at their home, having soup and sandwiches and talking

about everything from Israel and Palestine, to Russia and Syria, to farming techniques in agriculture. So after that, I was offered the job and I relocated here to Atlanta in the midst of Covid and I've been working in the office essentially by myself for the last 16 months, but the staff is really continued without missing a beat both in our Atlanta offices and all of our field offices, so this means about 3,000 employees have continued to the work that they and the Carters have been dedicated to as part of The Carter Center. That's how I came here.

Henry Huiyao Wang: Great stories, I didn't know that you had such a great connection there in Atlanta. President Carter is famous for normalizing US-China relations and has been pushing for positive diplomatic ties as well as being a pioneer at education. I think Yawei and myself have both benefited from that. I remember his scientific advisor giving him a call at midnight to tell him that Deng Xiaoping said he wanted to send 5,000 Chinese students to the United States and President Carter answered that he could send 100,000. Four decades have passed and we already probably have 3 or 4 million Chinese students that have gone to the United States and Yawei is one of them. You can see that people-to-people exchanges and ties have really changed both China and the United States. I think this bond of academics and talent flows between our two countries have greatly enhanced innovation, cooperation, and cultural and scientific exchanges, and of course, business, which has enormously benefited from it.

The Carter Center was founded by President Jimmy Carter and his wife Rosalyn Carter and they've worked tirelessly for many years. Yawei, maybe you could share with us how you came to work at The Carter Center and your interaction with President Carter, since you've been there since 1998, which is many years ago.

Yawei Liu: I would like to briefly mention my encounters with President Carter. Paige met with President Carter first time in 1979 and I first heard about President Carter in 1978. You mentioned you were a college student. I was also a freshman in college when we heard the news that the two countries were going to normalize relations. I was in Xi'an and my reaction was a little different from you – you said that you knew China was going to open up, but my initial reaction to the news was to question why we were going to become friends with an enemy nation? We were taught to defeat American imperialists, to overthrow the United States, and to bring communism to the United States.

My initial meeting with President Carter was almost 11 years after Paige's first meeting with him. I was a student at Emory where President Carter is a distinguished professor, so every year he would have two town hall meetings – one with freshman and the other with all the international students. The international student town hall usually happens in September, so I was new and I was thrilled that President Carter was going to meet with us. I remember he said that Richard Nixon said there was only one China, but he didn't say which China, I said there is only one China and that was the People's Republic of

China. The Chinese students in the town hall meeting all applauded. That was the key difference that the Chinese press and the Chinese people should always remember – the difference between President Nixon and President Carter.

My third encounter with President Carter was a memorable encounter. I traveled with President Carter to China more than ten times between 2001 and 2014, but at the end of our trip in 2009, we were staying at the Jinjiang Hotel in Shanghai where Kissinger and Premier Zhou Enlai negotiated the Shanghai Communiqué. I think toward the evening, I was in my hotel room and I got a call from John Hardman, Paige's predecessor. He said that President Carter wanted us to come to his suite, so we went to his suite and he said to us that this was a tremendous visit, because we were there to celebrate the 30th anniversary of the normalization of relations. He opened up a bottle of wine and the four of us, President Carter, Mrs. Carter, John Hardman and me, we finished that bottle. It was very memorable.

Then, in 2011 or 2012, I was driving home when President Carter's office said President Carter wanted to speak to me. I was very surprised. I said sure, it was an honor to talk to President Carter and he came over the phone and he said Steve Jobs called him today. Of course, Steve Jobs was the CEO of Apple and he asked President Carter and asked The Carter Center to help him out. I said, what could The Carter Center do to help Apple and then President Carter said, there had been a series of suicides in Foxconn factories in Shenzhen that assembled all the iPads and iPhones and I think there was an image problem. Steve Jobs knew that President Carter was working with China and hoped that he could talk to the Chinese side and help Apple overcome the crisis.

I'll end my stories about President Carter with my second phone call from President Carter this year. Paige was presiding over a meeting and suddenly to everyone, Carter's scheduler said, President Carter wanted to talk to me. I left the meeting and President Carter said, do we know anyone in the Biden administration? I said we don't, but I was concerned about visa issues with Chinese students, so I talked to Paige and we decided to ask President Carter to write a letter to President Biden to look into the issue. I think in my entire 23 years at The Carter Center at no time was a letter drafted, approved, processed and delivered in basically about 24 hours. I think Paige delivered the letter to Tony Blinken because we got the letter in even before President Biden was inaugurated.

Paige Alexander: And we got a response back!

Yawei Liu: Right, I think President Carter did play a role in the Biden administration's eventual decision to allow international students, the majority of whom were Chinese students, to come in after August 1st.

Henry Huiyao Wang: CCG has been involved in that as well. I talked to the chargé d'affaires here about how important student exchange is. Many Chinese

families are still quite concerned about this issue, so I was glad to see that as of July, the US Embassy here in China has issued 85,000 student visas for students to go to the United States, and if you count August, we probably could see over 100,000 student visas being granted by the United States. We also see long queues in the Pudong International Airport to go to the US. President Carter set up this bond and welcomed Chinese students and Deng Xiaoping launched the study abroad movement, which benefited China since so many students have returned home. This talent flow has greatly facilitated the entrepreneurial, scientific, and industrial revolution in China.

Work to Broaden US-China Cooperation

Henry Huiyao Wang: Paige, I know you worked at USAID for quite a long time, looking after many important projects in different parts of the world including Africa and Europe. China also set up a new agency in 2018, called the China International Development Cooperation Agency. I think developing countries really need more cooperation with bigger countries, especially between their development agencies. Since The Carter Center has so much experience working in Africa and other regions, how do you think can we work together, given that the pandemic is still a problem? From a development perspective, what's your take on the current situation and how could it change in the future? What experiences have you had in the past in USAID and other agencies?

Paige Alexander: So, just in case we have some people who are listening and do not know exactly what the United States Agency for International Development is, let me give you a quick overview. It's often called USAID, and it's an independent agency of the Federal Government, responsible for administering foreign aid and development assistance. The annual budget for USAID is a little over \$27 billion dollars and there are about 9,000 employees. This makes it is one of the largest official aid agencies in the world. It's important, as China is setting up theirs, to fully understand the history of ours. Our history dates back to the US Congress passing the Foreign Assistance Act in 1961, which reorganized the US Foreign Assistance Program and mandated the creation of this agency to administer economic aid. I think China has gone through a little bit of that with the Ministry of Commerce and then moving the new agency around. But at that time, USAID became the first US foreign assistance organization whose primary focus was on long-term socioeconomic development. USAID's work encompasses humanitarian projects as well as other development work such as global health, agriculture, environment, education, poverty alleviation and many other programs that we do through technical and financial assistance mechanisms. And because it's an official component of the US foreign policy, the aid receives guidance from the President, the Secretary of State, and the National Security Council. We have often said that it is part of the three-legged

stool, which includes diplomacy, defense, and development in terms of how we relate to all of our overseas partners. It's got field offices or projects in about 100 countries and all the funding going to USAID is awarded completely through competitive grants and contracts and cooperative agreements. All the information on where USAID spends its money can be found on a handy website called 'foreignassistance.gov', and this is a dashboard for transparency so US taxpayers and anyone else knows where their foreign assistance funds are being spent. Over the years, with changing administrations, there are often important signature initiatives, I think anyone listening who has a government that changes as frequently as ours does, every four to eight years would recognize this. We have things such as the President's Emergency Plan for AIDS Relief, which is also called PEPFAR and that survived through three presidential administrations. You have the President's Malaria Initiative, "Feed the Future," which is a global hunger and food security initiative, "Power Africa" which was set up to leverage partnerships to increase access to the power in sub-Saharan Africa, and now Covid relief. There are many programs I could highlight but those are just a few which really stand out as game changers, which have stood the test of time because they make good development assistance with good development sense and it's a long-term bet that we're making.

As I understand it, China's new agency provides a larger amount of development finance in the form of concessional loans. And Chinese aid, unlike aid provided by other developed countries, isn't governed by the categories of OECD's development assistance committee, so it's not counted in international statistics so it's harder for me to make true comparisons. Although China is a latecomer in International Development Assistance, I know that China has been engaged in foreign aid in Africa since the early 60s when it was still a very poor country but there was still a lot that was being done. But China is different today and its footprint is growing bigger and bigger in developing countries. I think Yawei as well President Carter who once said he saw the presence of China in every African country he and Mrs. Carter had traveled to.

So, China has really transformed itself from a developing country to a country getting close to joining the club of developed countries and foreign aid played a small role in China's transformation. As a result, China is in a better position in terms of how to engage in this work. But as with all assistance in developing countries, it's a challenge to coordinate assistance on the ground to share best practices to learn from these lessons. So, we hope the new aid agency will engage with those who have been doing this work for a while and we can find ways to work together to help those most in need.

Henry Huiyao Wang: Yes, that is probably something that both the US and China can work on together in the future. Also infrastructure – not only in developing countries, but also in the US and in China—seems to be the next biggest focus for the world. China already has some experience with the Asian Infrastructure Investment Bank, which has 104 member nations already. As you said, USAID was set up in the 1960s and China now has its China International

Development Cooperation Agency, which it set up in 2018. Yawei, you have been at The Carter Center for a long time, and of course, you were involved in some Carter Center projects in Africa. What I'm thinking is that now the US and China need to find something to work together on. The world needs us to cooperate in Africa, Latin America, and other areas, particularly in response to the pandemic. The US and China should work together rather than focusing on political issues like tracing the origin, which is more urgent. The world's revival depends on that. But apart from that, we probably need more emphasis on infrastructure and find a way that we can work together on that. I know that President Biden has proposed a trillion-dollar infrastructure plan for the US. I had a conversation with Neil Bush, and we talked about how China and the US could have a joint venture company in Texas, for example, helping export energy to China. I know that G7 has proposed 'Build Back Better World'—B3W, and of course, China has the Belt and the Road Initiative. We had a CCG conference recently where the Chinese former vice minister who looked after China's outbound investment said that maybe B3W and the Belt and the Road could work together. Yawei, given your Carter Center experience in Africa and other countries, how do you think we can cooperate on infrastructure? Do you see the possibility of US and China working together in the years ahead?

Yawei Liu: Actually, The Carter Center started promoting US-China collaboration in Africa back in 2012 and 2013, so we've been working in this area for almost a decade. I also want to thank you, because in the middle of working on that, I asked you whether you knew someone in MOFCOM and you told me that you new people at their Research Institute. We wanted to talk to people who were in charge of development assistance to African countries. You mentioned whether China and the US could work together in international development. Before we get into the bigger picture, which is infrastructure, I just want to review some of the small cooperative projects between the US and China. The first one, between USAID and China, happened in East Timor. It was an agricultural project. Paige mentioned that everything must be done through competitive bids and I think a Chinese entity won the USAID contract to work in agriculture in East Timor. After that, they worked also through another contract in Liberia, which had come out of a Civil War and needed to be rebuilt. The US, China, and UNDP worked together to rebuild the University of Liberia. That's why we had one of our meetings in Johannesburg at the end of 2017, because at the time, the Chinese Ambassador to South Africa Lin Songtian, and our former Vice President for Peace, Jordan Ryan, was the UNDP Liberia country representative and Donald Booth, US Special Envoy for South Sudan was the American Ambassador in Liberia. So, we brought them together with the hope that they could share how they were able to work together back then, and they could make recommendations to the governments to see if the US and China could work together. So, that's Liberia.

Of course, the most important collaboration for the US and China was in public health, and that was on Ebola in West Africa. The Carter Center was

very much involved, not with China, but with the Centers for Disease Control and Prevention (CDC) here in the USA. Susan Rice said that President Obama asked her to contact the Chinese government to see if China could work together with the US to contain Ebola in West Africa, but we don't know anything about the China side of the story. But this cooperation was so successful that when President Xi visited the US in 2015, Barbara Smith was very much involved in the signing of the MOU between USAID and the MOFCOM as this was before the China International Development Cooperation Agency was formed. I went to the CDC and talk to one of the doctors and he said 90% of the MOU work was about the CDC, but what did China and the US do? They established the first CDC in Addis Ababa, Ethiopia together, which was the first African CDC and a major result of US-China work in West Africa.

So again, looking back and looking forward, although the US-China relationship is at a low point, there is still a lot of potential for the two sides to work together. One of the issues is, just as you mentioned, the pandemic. Second is infrastructure, but all of this, I think is drowning in the lack of trust and groundless accusations, largely from the USA, in terms of what China is trying to do. Comments include "The BRI is a geopolitical move, and it has nothing to do with assistance and it's commercial" or "China is using sharp power". I think the potential is great, but both sides will have to overcome the current hurdles, which is going to take time, patience, and courage. The Carter Center likes working with your organization very much and through you maybe we can get something going with the Chinese government, especially if China and the US could work together to provide Covid assistance to Myanmar – as simple as that.

Henry Huiyao Wang: I think that the US and China can work together in many areas. I know that in 2015, General Electric and China's SINOMACH (China National Machinery Industry Corporation) signed an agreement to work in a third country. Recently, President Xi was talking to Chancellor Angela Merkel and President Macron on working in Africa. I think Africa has such great potential, just as you mentioned with US-China cooperation on Ebola, so public health and infrastructure could be a great example. China began working on African infrastructure half a century ago. My father worked on the Tanzania-Zambia Railway in the 70s, which is something memorable. So, I really think that this is an area where both countries can work together. The world needs both of us, especially the developing world, as we can really compliment each other to help them. The US has a long tradition, but China has a lot of a new expertise in areas including infrastructure. But the pandemic is definitely something that we must work together on.

As you said, we really need to build up trust, avoid problems and try to come back to the normalcy of previous decades. Paige, you were involved in post-conflict reconstruction in the Balkans and are very familiar with that area, so maybe you could share some thoughts on the international initiatives and the responses in the Balkans and how to help? As with the situation in Afghanistan – again, we need global leadership and concerted global efforts to really make

sure that these areas are made more stable and peaceful. Are there any ideas or recommendations you can share with us?

Paige Alexander: I had the good fortune to work on the Balkans starting in 1995 when the Dayton Accords were being negotiated. I would not have guessed that 25 years later that would still be the framework that we're living under. But development is not linear, you don't always go from a humanitarian crisis to a post-conflict democratic and economic programming. Often the crises happen in advanced developed countries or the interventions needed are due to backsliding, which requires financial or other assistance, so we can recoup the ground that we've lost during a crisis. Whether you're in the Balkans, Haiti, Syria, Yemen or Afghanistan, each is so complex and it requires dedication and a really long lens towards recovery that can often change faster than the program work is really able to address. Through my time working on Bosnia and Kosovo, I could see the issues were generational and we knew many of the interventions needed to take time. It really needed time to take hold before the basics regarding the rule of law and regulatory reforms could be put into place and show their usefulness. Afghanistan's a very special case, which we really wouldn't have enough time to cover in this discussion, but the international community should not let its sole attention become the refugee situation. I've seen that happen in Syria as well. We must really remain focused on those who are in Afghanistan and what we can do to continue helping them live their best lives. It would be wrong for me to surmise what US policy should be now in terms of recognition of the people running the country, but we need to retain some level of discourse so those Afghans who need and want assistance can continue to get it from other countries.

On the issue of the role of China and potential US-China cooperation, I think it's fair to say that the top priority for China, like that in the US at the beginning of the war, is to prevent a country from becoming a safe haven for terrorists. China really shares a short border with Afghanistan and China's got a good relationship with Pakistan. That influence over the Taliban is very significant so I hope China takes advantage of that leverage, which the US clearly lacks. I remember when Hillary Clinton was Secretary of State, she introduced the concept of a new Silk Road and it was about linking Afghanistan to the South Asian countries like India economically. At USAID, we actually were in the process of changing our office of Afghanistan, Pakistan and the Near East Bureau. We merged those for this exact reason: to be able to link. If China now has the ambitious Belt Road Initiative, we hope that you could include Kabul in the BRI when the latter situation is stable enough for foreign direct assistance and other investments.

At the present time, when it comes to US-China cooperation, it probably mainly revolves around speaking with the same voice at the UN. Tony Blinken, our Secretary of State and China's Foreign Minister had two phone calls in August. The first call was about ensuring a peaceful evacuation of American and Chinese citizens in Afghanistan and the second phone call was about working

together at the UN Security Council to pressure the Taliban to allow continuous evacuations of Afghan people who want to leave and to permit inflows of humanitarian assistance and stop supporting international terrorism. Beijing facilitated the initial dialogue also between the US and the Taliban. China could continue to play that role as it's going to take some time before Washington decides on the recognition issue. So yes, I do believe that the US and China could cooperate in Afghanistan, but the devil is in the details. We just mentioned some of the successes we had in cooperation in South Sudan and with Ebola and the trilateral cooperation that we want on African affairs. I hope Beijing and Washington will be able to coordinate their policies towards Afghanistan. I do think it's in both governments interest in terms of peace and development in that country.

Henry Huiyao Wang: I think it's important that we maintain a peaceful and prosperous Afghanistan so terrorists don't re-emerge, which is relevant for the security of Afghanistan and that part of the region including Xinjiang in China. It's important that all major countries work together. I'm glad to see that the UN Security Council passed the resolution on that so that we can actually see a more stable Afghanistan. They are now forming a new government and China is watching closely—I really hope that the US, EU, and other countries, and China of course—can all work together and to ensure a safe and peaceful Afghanistan.

Lasting Impacts and Continued Work of President Carter and The Carter Center

Henry Huiyao Wang: Yawei, we've already talked about China-US relations over the last four to five decades and how President Carter was the one who established diplomatic ties, but what initiatives were there and what else was done after President Carter founded the Center? It's a complex situation today with a lot of arguments and maybe it's good to look at the history and the leadership of President Carter, and the vision he has for promoting better US-China relations.

Yawei Liu: After President Carter left the White House, he was immediately invited by Deng Xiaoping to visit China, which he also did many times afterward. I think during one of the visits, President Carter said, "Now I have my Center, I would like to work with China on issues." Vice Premier Deng Xiaoping said, "My son, who is disabled, is the President of the Chinese National Association for Disabled People. Maybe The Carter Center and his Association could work together." So that was actually The Carter Center's initial project in China: to provide training for special education. That actually was my first volunteer job with The Carter Center—to interpret for the Chinese special education teachers who came here. President Carter said, over 900 Chinese teachers were trained here at The Carter Center, which also purchased production lines of artificial

limbs for China. I think many years ago, we got a letter from the Beijing Bureau of Civil Affairs, saying that the production line is still working and they wanted to thank President Carter for doing that. That was our initial entry into China. Later, from 1996 all the way to about 2012, I can summarize our engagement with China by telling a China story that said China had real fair competitive elections at the village level because we observed village elections. I think one of the Chinese officials said, “If we say China has democracy, nobody is going to believe it. But if The Carter Center observed them and then told the world that there was real grassroots democracy in China, it would be incredible.” That took a lot of effort from about 2012—almost a decade—and our work was largely divided into two categories. One category is about reducing misperception, reducing the lack of trust and increasing mutual understanding through our online initiative—the US-China Perception Monitor in English and Chinese. We also organized high-level forums on US-China relations, which began in 2012. The last one we had was in January of this year, which was the eighth one. I want to remind our audience that in January 2019, we were the only US organization that organized a three-day meeting on the 40th anniversary of the normalization of relations. No other US organization or think tank really “dared” to do that because the relationship was at such a low point. We also organized the Young Scholars Forum on US-China Relations. The next one, which is the sixth, will be held online starting September 22nd.

The second category of the work we do, which I think is more challenging but significant, is to bring China and the US to cooperate in a third country. We talked about Africa. I don’t want to get into the details of what we have done because of the time, but I do want to share an anecdote here to highlight the necessity. The Carter Center works in Mali where we have an international ceasefire monitor group and China actually has peacekeepers on the ground. Henry, you mentioned the Chinese government and the French government signed an agreement that they were going to coordinate their development assistance in francophone countries, so you know this is all good. China, the US and France are supposed to work together in Mali. So the anecdote I want to share with you is between our consultant, Ambassador Bisa Williams, who’s running our mission in Mali, and the Chinese ambassador, whom he met at a diplomatic gathering. Again, I heard this from a third party so don’t quote me on this, but what the Chinese Ambassador told Ambassador Bisa Williams is that people like you—Americans and French—are troublemakers and because you you prolong the problems in Mali. As soon as you guys leave, things are going to be good. That’s the core of the misunderstanding and the core of the lack of perspective of each other. Developed countries like the US and France, and China, which is a new kid on the block, need to talk about these issues. Even if they don’t agree, they still need to figure it out since the US, The Carter Center, China and the French government are all engaged in Mali. They are all spending resources, including human resources and others there, but there is no conversation whatsoever between the stakeholders. Hopefully again, you, us and other parties can set up a pilot program and look at a particular country where there is US or Chinese

involvement and come together both from the non-governmental sector and the government, whether that's USAID or whoever we can bring to the table.

Henry Huiyao Wang: I think we need more of that these days, particularly from organizations like The Carter Center and other NGOs, think tanks and social organizations and of course those in China like CCG.

Lessons and Values for the Future

Henry Huiyao Wang: Paige, you are the head of The Carter Center and you have a lot of experience in international development. While we're revisiting history, we're also looking into the future. Now the Democrats are back in office again, but it seems that the political climate is so poisoned in the US and there may be another popular war—it's so negative. So how can we change that? President Carter actually opened a door for millions of Chinese students to go to the United States and laid a great foundation for China-US relations through the two communiqués. Now this situation is deteriorating, which 97-year old President Carter is witnessing. From The Carter Center's perspective, what can we do to repair and work on this relationship so that we can have some normalcy and stability, instead of being on a roller coaster ride like when President Trump was in office? But even with President Biden, we haven't seen it getting much better, how do you think we can repair relations and restore normalcy?

Paige Alexander: I think there are probably four or five top lessons that I believe others could learn from President Carter and this goes to the relationship that we want to have with other countries. I think, first, war should always be avoided; conflicts can be resolved through peaceful and equal negotiations. President Carter certainly followed this when he was in the White House and waging peace is one of the missions of The Carter Center.

Second, I think human rights are always an integral part of US foreign policy decision-making, so human rights are both a political right and a right to live a decent free life. For the US, to be a global champion for human rights, it also needs to respect human and civil rights at home. This is why The Carter Center began to engage in domestic election work because we recognize there are threats to democratic election standards in the US, especially in our backyard here in Georgia and given the role it played in the last federal election, I think everyone should take a look at themselves from the inside before we start portraying what we want to be doing with other countries.

Third, I would say developed countries have an obligation to provide support to underdeveloped and developing nations. In today's world, it's not just Western countries that are engaged in foreign aid. Other countries, particularly China, are also moving from camp south to camp north and there needs to be more coordination. Yawei already touched on that about the places we have coordinated in the past and the things we need to do moving on.

Fourth, I would say one of the most important characteristics of President Carter's leadership is not to submit to political pressure and seemingly popular demands when making policy decisions, but to make moral decisions that will benefit people in the country in the long-term. He lived his administration that way, which is why he probably only had four years. But we're seeing the significant benefits of so many decisions by President Carter that were not evident decades ago and it's because he did not put politics first: he put people first.

So overall I'll say that President Carter's always lived his values and his vision of a future world is a world where wealth is relatively fairly distributed, racial and gender equality is guaranteed and protected by law, and national conflicts can be resolved through peaceful means and all major powers, regardless of their political systems – as we see, our different political systems – agree to cooperate and collaborate to stop things like global warming and nuclear proliferation, to eradicate diseases, to empower people all over the world, and to lead a decent life. I think these are the places that we can try to come together, and have those honest and frank conversations, because I think we each bring to the table something important and skillsets that the other doesn't have. But at the same time, we have to respect that there will be differences. I think that's the relationship we need to have at this point.

Henry Huiyao Wang: We really need to maintain dialogue and exchange. The pandemic has cut off face-to-face meetings and created a lot of problems. Yawei, what are your final recommendations to put US-China relations back on the right track going forward? How can we avoid conflict and further deterioration of bilateral relations?

Yawei Liu: We talked about the specific things that both countries and NGOs like yours and ours, can do to stabilize and improve the relationship. I think, in terms of the overall relationship, first, we need to look at history. I'm an American history major and I think if you look back at the over 200 years of this relationship, it's special. I was born and raised in China and came here when I was 27 years old for the opportunity to pursue my studies and to work for President Carter himself. I always like to tell people I'm an example of how good things will come along if two countries open their doors to each other and work with each other. Henry, you that mentioned millions of Chinese have already come to the US and that the US government and the private sector give these Chinese students the opportunity to work here and to excel – I'm one of them. There is indeed a special relationship between these two countries. Americans care about China, and many Chinese like the US. They want to send their kids over here and we need to protect that. There is a very good documentary called *Better Angels*, which President Carter watched and recommended. I think everyone probably should watch that documentary.

Secondly, because the US and China are the largest and second largest economies, there's a lot that they can do because of their size. It doesn't matter if

it's in Afghanistan, Mali, DRC or other countries. If the US or China choose not to work together, the impact is going to be felt by those countries.

Lastly, I think now the US has declared – at least President Trump's administration declared – that the policy of engagement is dead. I don't think the Biden administration is going to say that, although its China policy is still under review. Tony Blinken said that "We're going to cooperate with China where we can. We're going to compete with China where we should. And we're going to confront China where we must." But China doesn't really buy that framework. China thinks that the Biden administration is pursuing confrontation with China. I think if that's the case, that's the wrong direction to go, because both leaders believe in peace and prosperity for their own people and for the world. This is also President Carter's vision: peace, prosperity, and a decent life for all human beings. I think if the leaders can come around to this, they can shelve geopolitical concerns and talk about mutual concerns with each other, or focus on building the world better and hopefully in the vision of President Carter. All of us, particularly here under Paige's leadership, are trying to live up to President Carter's legacy, and hopefully to spread, if I can use the word – his gospel – to all parts of the world.

Henry Huiyao Wang: I think we really need to emphasize our similarities, minimize differences and seek the common ground. I think that there's a huge bond still between the US and China, particularly among the people, including student and people-to-people exchanges.

We have collected a few questions. One question is from the China News Service—how should we bridge cultural differences between East and West, or China and the US, to seek common ground while respecting our differences? Another media outlet also asked – how do you view the possibility of a potential cold war between China and the US? How should we avoid it? One last question from News Guangdong to Paige is "You were USAID's deputy for Europe with a focus on immediate post-conflict reconstruction in the Balkans. This year is the 20th anniversary of '9/11' and it is said that the Taliban will announce a new Afghan government soon. How can China and the US coordinate in the fight against terrorism in the future as well as the reconstruction of Afghanistan and Iraq? Maybe now we can talk through them together, and then you can give some final remarks on the thoughts of the topic today—President Carter's legacy. Given the current situations of the US and the world, how can we move forward?"

Paige Alexander: It's coming up on the 20th anniversary of 9/11. I think that so many lessons have been learned since that period of time, mainly because we figured out how to share information and a way that we were not doing both internally within our own government and externally with others. I think we've made some great strides there, but as I had said in my earlier answer that we're all trying to avoid war. It's in nobody's best interest. The fight against terrorism is a war, but it's a war that can also be discussed in diplomatic terms. I think this is one of the reasons why we need to hold each other close, and as they say hold,

our enemies closer. It's a conversation that has to happen, because I think we're all in this together.

It was a very different situation from when we were working together and rebuilding some of the former soviet countries in the post-Cold War era. Part of that was, as I said, that there's not a linear trajectory and development, and sometimes you can have a fully developed country that just had backsliding. The graduation assistance that we provided in Eastern Europe at the time did not last forever, because that's not where we needed to be. We did not need to continually be doing projects in some of those countries. But I think at the stage that we're at, these conversations – diplomacy, development, defense are part of a three-legged stool, and they all have to go together. We have to be willing to talk about every single one of those areas with our partners and with our allies. This is what's going to get us to the other side of some of these issues. I led delegations with the US government where we would have Department of Defense, Department of State and USAID together to have some of these tough conversations. Because you don't just get the toys—the guns and the planes—you also often need to be holding up a mirror and looking at your own systems. So, it's a continued conversation.

Yawei Liu: In five days, it's going to be the 20th anniversary of 9/11. On the day of the attack, I was teaching an American history class at a local college. During the break, when students heard the news, they started crying in the hallway, and then the school basically decided there would be no more school that day. I think the central question for many Americans—as it was a shocker—was why do they hate us so much? I think if we can transplant that into the US-China relationship, it would behoove leaders from both sides need to pay attention to this essential question. Both countries are now working toward a hating-the-other-side kind of mode. That's very dangerous. If you look at the US leadership, if you look at the US media, not only are they talking about the China influence—what they call a malign influence—without looking fairly and squarely at what China has contributed through the BRI and other Covid assistance measures. Some of the think tanks and NGOs have also joined that chorus of China-haters. They're also going after ethnic Chinese over here, because the Justice Department has its China Initiative, but many members of Congress and many Asian American organizations want that to be dropped. That's on the US side.

On the China side, I acknowledge the Chinese leaders are not as vociferous as American leaders when they talk about the other side, but social media is a different story. Anti-American messaging is all over the place. August 29th, there was a blogger who said everyone is aware there are critical changes taking place in China and one of the changes he talked about was that there is a consensus among Chinese people that the US is launching a space war, a cyber war, a trade war, high-tech war, you name it—anything you can come up with and that the US is launching a war against China. This hating-each-other mode has to be stopped. If it doesn't stop, there might be a 9/11 moment in this bilateral relationship. I don't want to scare people, but think about it—in the South China Sea, the East

China Sea around Taiwan and several other areas—there is a real possibility that the US and China will go to war. I want to end my remarks by saying that peace is so important for both countries and that leaders, the media, think tanks and NGOs, all need to make an effort to deescalate what is going on in the US and try to debunk these myths. For example, the US basically said that the Wuhan Institute of Virology leaked the virus, while China said Fort Detrick did the same thing. This kind of misinformation campaign has to be stopped and people's perception of each other has to be changed. I don't believe the US is conspiring to make China collapse and I don't believe the Chinese leaders want to edge out the US from East Asia. Both countries are obligated to provide for their own people, but also to provide for the whole world and to work with people all over the world to ensure peace and prosperity.

Thank you kindly for giving us this opportunity to engage with you and your audience—all 200,000 of them. In our view, hopefully, the more we share, the more peaceful this relationship will be, and the more peaceful the world will be.

Henry Huiyao Wang: Once again, thanks to Yawei Liu, Senior Advisor at The Carter Center, and Paige Alexander, CEO of The Carter Center, and member of staff for three administrations in the US government for your time and insights. In the last 42 years since President Carter established diplomatic ties that changed the US, China and the world, China has become one of the fastest developing countries in the world. In looking at his legacy today, we can see how much the world has changed and should reflect on the reality of the 21st century. We probably also need to upgrade our thinking, and I agree with Yawei's opinion that we cannot let nationalism and populism get out of hand and dictate political decisions. Today the world is so intertwined and there is a trend toward common prosperity—we really need each other. Decoupling is unrealistic in practice, and I would go so far as to say impossible and even unimaginable.

In the 21st century, we should think about how we can continue the legacies that President Nixon, President Carter and President Bush, the three Communiqués and also the millions of exchanges and the billions of dollars in trade on both sides have left. We need to be cool headed and keep the dialogue going.

That's why this kind of dialogue between The Carter Center and CCG is really important, because it lets the public know that there's still rational thinking out there and the situation doesn't need to get out of hand. I agree with Yawei that we could have a 9/11 moment, but there is so much prosperity today, who wants to get into hot war?

But on the other hand, China is rising, we need to really understand China, we need to accept China. What has happened in Afghanistan and Iraq shows that no one model fits all and ideas have to be diversified to fit each country's own situation. China is working on its path, while the US is taking its own path. They may never converge, but we should accept each other and work things out together. I think that's the essence of President Carter's spirit. We have to live in a diverse, multi-colored world. Once again, thank you both so much for joining me tonight despite it being the Labor Day holidays.

The Bush Legacy and Beyond: a 50-Year Retrospective of US-China Exchange

A Dialogue with Neil Bush and David J. Firestein

Henry Huiyao Wang, Neil Bush, and David J. Firestein

Fifty years ago, ping-pong diplomacy and Henry Kissinger's secret trip to China ushered in a new era of US-China relations that brought decades of economic prosperity to the two countries. Fifty years later, Washington and Beijing are now locked in a precarious balance between competition and cooperation. After the Anchorage and Tianjin Meetings, analysts from all over the world are looking for signs of potential breakthrough in the diplomatic stalemate. The recent nomination of Nicolas Burns as US ambassador to China, alongside US Secretary of State Anthony Blinken's call with Chinese Foreign Minister Wang Yi, and US Treasury Secretary Janet Yellen's reported plan to visit China, have prompted renewed hopes for bilateral cooperation.

In the following dialogue, CCG President Dr. Henry Huiyao Wang, Neil Bush and David J. Firestein discussed the legacy of George H.W. Bush and US-China collaboration in global health, climate change, energy and exchange programs.



Henry Huiyao Wang in dialogue with Neil Bush



Henry Huiyao Wang in dialogue with David J. Firestein

Neil Bush is the Founder and Chair of the George H. W. Bush Foundation for US-China Relations. He is the third of the five children of President and Mrs. George H.W. Bush. He has worked in energy, real estate and international business for four decades. For the past 25 years, Mr. Bush has been engaging in various international business development activities with a focus on China. He first visited China in 1975, when his father was the chief liaison officer representing the United States in Beijing, but his business and personal interests have allowed for many return trips to China over the years. Since 1975, Mr. Bush has traveled to China over 140 times and has visited over 40 cities in China.

David J. Firestein is the Inaugural President and CEO of the George H.W. Bush Foundation for US-China Relations. He is also a founding and current member of the Foundation's board of directors. Prior to joining the Bush China Foundation, Mr. Firestein was the founding executive director of the University of Texas at Austin's China Public Policy Center. He's also a Professor at UT's Lyndon B. Johnson School of Public Affairs. Before moving to the University of Texas, Mr. Firestein served as a Senior Vice President and Perot Fellow of the NYC-based East-West Institute, where he led the Institute's Track II Diplomacy Dialogue. Mr. Firestein is a very experienced and seasoned diplomat in US-China relations. From 1990 to 2010, Mr. Firestein specialized primarily in US-China relations, so he is a very old friend of China and also a very senior China hand.

George H.W. Bush Foundation for US-China Relations (also known as the Bush China Foundation) was founded in May 2017 by Neil Bush with the blessing and support of President George H.W. Bush and began full operations in September 2019.

China Then and China Now

Henry Huiyao Wang: Today's discussion is held against the background of the 50-year anniversary of Dr. Kissinger's visit to China, which restarted exchanges between China and the United States. This year is also the 50th year of China resuming its legal seat in the United Nations. I remember George H.W. Bush was actually the US ambassador to the United Nations in 1971 when China resumed its membership and I'm sure it's not a coincidence that China reestablished contact with US after Dr. Kissinger visited China in July and China resumed its seat in the United Nation in October of the same year.

I remember that George H.W. Bush, as US envoy, was also known as "the bicycle ambassador to China" when he was at the US liaison office in Beijing between 1974 and 1975. Neil, you were also in China at that time and I know you've made a lot of visits since then. I'm very excited to talk about the Bush legacy and the implications for China-US relations tonight in retrospect, but to look forward to the future prospect of China-US relations, George H.W. Bush, was not only the liaison office envoy to China, but also visited China only one month after taking office as President in 1989, sooner than any President. His son, George W. Bush, Neil's brother, also made four visits to China, which was very impressive and both Presidents visited China during the 2008 Olympics in Beijing.

President George H.W. Bush said, "We value the new relationship our two countries have established with each other. We remain firmly committed to the principles set forth in those three joint communiqués that form the basis of our relationship." He also wrote in his China Diaries in 2007: "I love the Chinese people. One of my dreams for our world is that these two powerful giants will continue working toward full partnership and friendship that will bring peace and prosperity to people everywhere." I'd like to think we are celebrating this great legacy at a very memorable moment.

President George H.W. Bush was a pioneer in US-China diplomacy. He was the chief US diplomatic envoy in China from 1974 to 1975, which was before the US and China formally established diplomatic ties. Neil, I remember you said your first visit to China was in 1975 and you continued traveling to China on a regular basis since then. Given that you've traveled to China many times and you've witnessed first-hand the tremendous changes that China has made over the last five decades, maybe you can give your first assessment of what you see in the relationship.

Neil Bush: I'll start by reflecting back on October of 1971. You mentioned that China was re-admitted to the UN and I happened to be in New York City during that vote. My dad worked tirelessly promoting the two-China representation concept, which was the position of the US government at the time. They got voted down and China was admitted and Taiwan was kicked out. The first thing my dad did when the Chinese delegation arrived in the United States was

to invite them to a lunch at my grandmother's home in Connecticut to show American hospitality and welcome them with open arms. And from that point on, his first real contact with Chinese leaders, my dad, as you pointed out in the letter you referred to, has had affection for the Chinese people and has high aspirations for how our two great countries should be working together.

In 1975, three of my siblings and I visited China for five weeks. We were in Beijing for four weeks and then traveled with my mother by train to Wuxi, Nanjing, and Shanghai. It has been a remarkable thing to sit on the sidelines and to witness this incredible growth that China has experienced over the past 46 years. The China I saw in 1975, I don't want to be offensive to anyone, but it was basically freedomless. Everyone was equal—they were equally poor and people were friendly towards us. We rode our bikes all over the place and we were treated very kindly. But there were propaganda machines everywhere. Everywhere you went, the word was being spouted out. At the end of the Cultural Revolution, people were still being sent to the countryside and many people couldn't make daily choices, which clearly, they can make today. So looking back 46 years later, if I were back in 1975, I couldn't have predicted or imagined that China would have had hundreds of millions of people lifted out of poverty, that the middle class would be growing as rapidly as it is, that the economy would continue to turn out new jobs and crank out wealth for people, that people would enjoy daily freedoms that frankly back then were clearly unimaginable. I've been deeply impressed by this. I think one of the things that separates me from other folks is the fact that I've been there and seen it grow over the many years. I've come to some deep conclusions. One, there's no single system that works for every country. Every country needs to develop a system that is suitable and fitting for the conditions of that country. China's system has worked for China. If you look at the results over the many years over the 46 years since I was there over the 40 something years since formal ties have been established. The results speak for themselves. I am a believer that our system works for us and the Chinese system works for China. We need to be respectful of that. I've been amazed to be able to witness this change in China. No one could have predicted it back 46 years ago.

Henry Huiyao Wang: You've been a witness to China's great transformation over the last five decades during which China re-established its position at the UN, especially since your father was the special envoy to China from 1974 to 1975 before the US and China normalized relations, which paved the way for the great progress that followed. I'm glad to hear that your father actually hosted a lunch for the Chinese delegation to the UN. Your father served as the Vice President under Ronald Reagan for eight years as well as President of the United States, doing a lot of memorable work. I agree with him that these two great giants should work together for the benefit of mankind.

You say you were here for four weeks, do you still remember some of the things you saw in Beijing?. I still remember your father riding a bicycle past Tiananmen Square. What about you when you and your father first came?

Neil Bush: We had the same experience. We rode bikes all over the place. It was really fun. We rode to Tiananmen Square. I distinctly remember pulling up to a stop sign, where the guards were there with their hands up and the crowd of bikes were stopped and gathered. When they saw those of us that were from America, the kind of white guys with long noses, they looked over and saw us and they almost fell off their bikes. We also went to the zoo to go see the pandas and other animals, but when we looked us there was a bigger crowd following us at the zoo than were looking at the animals. But it was a friendly adventure for us. One of the things I observed, and this is something dad and I talked about during that trip, was that if you observe Chinese consumers walking by a bike shop or a shop that had kitchen utensils or whatever, you could see in their eyes that they wanted more, that they wanted a better bike, a better “flying pigeon”. And so it was pretty clear that there were aspirations even then that have now led to this incredible growth and the realization of potential. I have vivid memories of it. And now when I go back to China, cars are everywhere. It’s totally transformed with high-speed rail and internet connectivity everywhere. It’s like a whole new world that I couldn’t have imagined back in the bicycle-riding days of the 1970s.

Henry Huiyao Wang: Those are great memories. We’ve really seen China develop from a “bicycle kingdom” to a “car kingdom”, becoming the world’s largest automobile market in only four decades.

Neil Bush: It’s a leap forward. As I mentioned, high-speed rail too. Other developing countries and even developed countries in the world can’t keep up with China in the deployment of high-speed rail and I’ve been on many train rides that have been very efficient. They are quiet. They are fast. They are clean. There’s a leap of capability that China is enjoying that really sets it apart in many respects. So yeah, it’s gone from the bicycle- to car-consuming capital of the world and also now a leap ahead in high-speed rail.

Henry Huiyao Wang: You’ve seen all the different stages. David, you also lived in China for many years—for 20 years actually—and you’ve been involved with China as a diplomat and you’re still working on this. What’s your impression of China now? How do you think the Bush Foundation should take this forward?

David J. Firestein: I first went to China in 1984, so nine years later than Neil did and yet I absolutely understand everything that Neil was saying in terms of the transformation that has occurred in China. The degree to which average people, since the 1970s and 1980s to the present day, have seen their ability to make choices for themselves in their daily lives has grown in ways that, just as Neil said, was really unimaginable to the average Chinese citizen back in the 1970s or in the 1980s when I first visited China as a teenager and later as a college student. But just the ability to choose whether to go to college or what your major might be or to choose to perhaps study abroad and do undergraduate work abroad rather than in China; the ability to choose where you live and to

purchase a home; the ability to choose where you work or how long you work there. In the old unit system, or the danwei system, back in the old days, you didn't have a say over where you worked and whether you could quit and so forth and so on, and now all those choices are available to average people all across the country. The ability to have those kinds of decisions within your own grasp and within your own decision-making authority, that's probably the most fundamental transformation that I have seen in China. It is very much as Neil laid out. I think if I were summarizing it in one idea or one sentence, it would be that when I first visited China in the 1980s, I think the average citizen didn't feel that they had a lot of control over their own destiny with respect to these myriad important decisions in their personal lives. But now, and certainly since the 1990s, and unquestionably today, the average Chinese citizen feels that they have vastly more ability to shape their future than they did in the 1970s, 1980s and so on. It has been an incredible transformation. And, of course, that's to say nothing of the physical transformation that has occurred in China and that you were just discussing.

At the Bush China Foundation, or the George H.W. Bush Foundation for US-China Relations, our mission is to advance the US-China relationship in ways that reflect the ethos, spirits and values of President George H.W. Bush. When Neil founded the George H.W. Bush Foundation for US-China relations with the blessing and support of his father, George H.W. Bush, that was very much the mindset. I am so honored to be able to work side by side with Neil to carry forward George H.W. Bush's vision for the relationship. I want to note that fundamentally the George H.W. Bush vision for the relationship is grounded in two core beliefs. Number one, that the US-China relationship is the single most consequential bilateral relationship in the world and in fact, I would say in the history of the world. And number two, that no major international problem, or challenge, can be enduringly resolved in the absence of an effective US-China cooperation. That's what President George H.W. Bush believed. That's what Neil believes. That's what I believe. And that's what our foundation is all about: to try to facilitate US-China engagement and collaboration, not out of altruism, but because it's good for both countries, it's good for the relationship and it's good for the world. And I couldn't be prouder to work for and with Neil and to be a part of this incredible foundation.

Addressing Friction between China and the US

Henry Huiyao Wang: Absolutely, the Bush China Foundation has done many things. We need the foundation to promote better understanding and exchanges between our two countries. I've noticed in the last several years, you've held conferences and webinars in many areas.

Neil Bush: I'd like to piggyback off that comment by reminding you and others that my dad, after he retired from the presidency, chose to be active

in establishing dialogues much like your program between China and the United States. He did so in the form of a conference – the US China Relations Conference that he co-hosted with an old friend, Madame Li Xiaolin, on the Chinese side. That was a conference that he attended, actively promoted, brought in representation from the US side and the Chinese side, and brought in equal representation. I think he attended and hosted five or six of those. That was basically the founding of our organization and the roots that we sprouted from. As he got older and couldn't actually participate in these conferences, he asked me to chair from the US side and out of that spun the George H.W. Bush Foundation for US-China Relations. He was very pleased to see that the programmatic activity, starting with his conferences, has now expanded to many other areas under David's very capable leadership. And by the way, I don't know if your audience would like to hear this, but the fact that David speaks perfectly fluent Chinese is something apparently amazing to me. After 140 visits you think I'd be able to say, "one more beer, please," but that's about it, and "Nihao" and "Zaijian." But anyway, David speaks fluent Chinese and he's a great leader for our organization.

Henry Huiyao Wang: I knew that George H.W. Bush had started this tradition of China-US conferences. For many years, I remember many friends attended and spoke highly of the efforts of those conference made in promoting exchange, dialogue and understanding between the two countries. I am glad that you took over for him and are now working with David, who is an outstanding China-hand. He is probably one of the best foreign Mandarin speakers that you could find. He has interpreted for many senior people too. I remember when we invited David to come to speak at a CCG event in 2012, which was almost 10 years ago, he already impressed me very much back then. He has also written many books, two of which are in Chinese, which is very rare for foreigners. Both your father, George H.W. Bush, and your brother, George W. Bush, were Republican Presidents, and they made the most visits to China. Your father actually stayed in China for a year or two. Meanwhile, your brother made four presidential visits – two official visits, one APEC Summit and one for the Olympic Games.

There have been a lot of good relationship-building and dialogue exchanges. Unfortunately, over the last five years, particularly since President Trump, also a Republican, took office, we have seen China-US relations deteriorate quite a bit and I'm not very sure what the reasons are. Even now, after President Biden took office, people are still saying the US relationship with China could be cooperative and competitive. They also say it could also be a rivalry, but we don't want to be a rival. President Trump started this trade war and the trade sanctions against China, but we see many Republicans actually calling to lift tariffs. Wendy Cutler, the former Acting USTR recently said that we should lift the tariffs as it's not good for China or the US. Recently, the US-China Business Council conducted a survey that found the tariffs have actually cost the US nearly a quarter million jobs despite trade between China and the US increasing. I've been talking with a number of US opinion leaders like Graham Allison, Joseph Nye, John Thornton

as well as Susan Thornton and Ambassador Roy. They all say a cold war would be bad and that we should not decouple. What's your current assessment of the state of China-US relations and how can we improve them and return to a bit of normalcy?

Neil Bush: Let me take a high-level stab at this. First of all, you referenced the deterioration in the relationship and it strikes me that there are a number of converging factors that have led to the US side becoming fearful of China's rise and that fear is reflected in rhetoric that has become quite harsh under the Trump Administration. And with that came a kind of an isolationist approach of stepping back and not having dialogues, my dad believed at his core that countries, families and friends need to stay in touch with one another in order to better understand one another, in order to put yourself in the other guy's shoes, so that when conflict arises you can address those conflicts in a mature way. We got away from that for five years or so and maybe even prior to that. David can give his analysis.

That coupled with the US problem of "America first," "build the wall," anti-immigration, and "we are the greatest country on the face of the planet," and to see China's economic rise as now at parity or just behind the US economy on a gross basis, a lot of politicians are fearful of losing our prominence in that way. And then a third factor is politically given that there's not very good information about China floating around in this ecosystem in the US, which makes China is an easy target politically. We see politicians blasting the Communist Party as though it was the party that manifested itself in different ways very early in the People's Republic of China's history.

Then we come to the Thucydides Trap issue – as China rises, how is America, as the prominent power in the world facing this rising power, going to react? A lot of people in our country and many politicians are reacting quite poorly to it and thinking that China is an existential threat to our economic and national security. Clearly, any bilateral relationship is going to have issues. We have issues with France. We have issues with Germany. We have issues with Israel. We have issues with our closest friends. We're going to have issues with China and we're going to address them. We also have values that we stand firmly behind and we're going to express those values in a way that's hopefully respectful and not finger-pointing or derogatory. We'll express our values in the hopes that we can help shape outcomes, but the ultimate goal should be to come together as often as possible in as many different ways as possible to resolve challenges respectfully and maturely.

My view of the tariffs is: it was such a stupid idea to start with – raising tariffs was equivalent to a tax on American consumers and something that hurt American businesses, which David can get into in terms of the statistics. It was a non-starter. The idea of Trump and the people behind him was that if we have a trade deficit with a country, we've got to re-address that by putting up tariffs and balancing out the trade. But the reality is that in global trade, some countries have goods that are good quality and provided at a lower cost, which richer

countries want to buy. Poorer countries and developing countries can't afford to buy the stuff from the poor countries. Therefore, there's going to be a trade imbalance and that's OK. There's nothing in Economics 101 that says that a trade imbalance is unnatural or inappropriate or bad. So it was a silly thesis in the first place. Deep down inside, that logic might have been to be punitive towards the Chinese to try to set the Chinese economy back. But that was illogical as well. It was a failed policy that needs to be reversed.

David J. Firestein: Even before Neil and I met each other three years ago, we were both very much critical of the US policy on tariffs, the Trump tariffs, on the same grounds that they're bad for America, American companies and American workers. They kill jobs. They blow out the deficit and they do nothing to solve any of the core problems that exist between the United States and China in the trade area. And I agree fully with everything Neil just said with respect to tariffs and we, as individuals, as a foundation, have been very outspoken, maybe more outspoken than almost any other entity in the country when it comes to how bad for America the tariffs are. Let me cite a couple of things and I'll move to the broader question that have been asked, but I think this needs to be said.

The numbers are in with respect to the tariffs. We don't have to speculate or offer opinions about it, we can actually look at the factual record. Under President Trump, we had the highest US trade deficit with China in American history. Under President Trump, we had the highest average annual merchandise trade deficit with China of any presidency in history. So to compare apples to apples, the entire presidency, the average annual deficit with China was higher under Trump than any other previous presidency. Those numbers speak for themselves. It wasn't just a one-year wonder type of phenomenon, it was four years, the US trade deficit with the world grew to record levels under President Trump. We lost manufacturing jobs, tens of thousands of them under President Trump. We lost jobs overall, 250,000, as Neil just cited from the US-China Business Council, under these imbecilic policies. The historic US trade surplus with China in agriculture became a trade deficit. For the first time in 25 years, something that none of us thought was even possible. American consumers ended up paying more to the tune of about a thousand or even \$2000 a year, more than they were before the tariffs came into play. By every single metric that you can possibly cite, the tariffs were just exactly as Neil said, an absolutely failed policy that was horrible for America and we need to get rid of it.

The Trump tariffs were predicated on the idea that comparative advantage doesn't exist and that is as un-Republican and un-American of a thought as you could ever conceive. Comparative advantage does exist and we have to get back to the idea that the pie gets bigger when countries produce what they're best at producing. And even imperfect trade is better than no trade. So we've got to get back to classical American thinking. And I want to briefly say that the George H.W. Bush Foundation on US-China Relations is true to the values and beliefs of President George H.W. Bush, is a pro-business, pro-trade, pro-globalization organization, unapologetically. Because we understand economics and we

understand that trade is good for America, it's good for the world and we want to move back in that direction and we advocate in that direction.

Now I'll get back to your broader question about the fact that originally Republicans were at the cutting edge of getting the US-China relationship in its modern form, which can be traced back to President Nixon and of course, Secretary Kissinger, and obviously the incredible role that President George H.W. Bush played, as well as other Republicans along the way. The point that I want to make is that for most of the last 50 years, up until about five years ago, the idea that engaging China and having a constructive, robust, healthy and functional relationship with China, was not just a Republican idea, it was it was a bipartisan consensus that held through the presidencies of seven or eight Presidents dating back to Nixon and through the end of the term of President Barack Obama; it only changed during President Trump's campaign and as he came into office. But there has always been a bipartisan consensus that it is good for America to engage China, notwithstanding the difficulties and, I would frankly say, even with the irreconcilable differences that we have between our countries, there is value and benefit to engaging China, working together, being clear-eyed about the relationship, certainly, but also coming together to solve problems that neither country can solve on its own. That consensus had existed up until the Trump era.

Now we have a new consensus, unfortunately, in official Washington, which is that China is really the enemy of our nation. There's a vast swath of official Washington that seems to believe that, and there's a significant swath of the American public that has come to believe that. I think Neil and I and the Bush Foundation reject that belief, but I think that belief is rooted in two erroneous assessments of China's intentions. One, that China seeks to displace and supplant the United States as the world's only superpower, which is an absolutely fundamental misreading of what China actually wants to do. Number two, that China seeks to replicate its system all across the world and create a bunch of countries that look exactly like China. I think those are incorrect understandings of what China actually seeks to do, and the fundamental premises of US policy toward China are wrong. The resulting policies that purport to address those concerns are going to veer of course, and I think that's what we've seen over the last several years. So we need to have a sharp focus on US interests and to get the emotions out of our policy formulation and policy execution, and focus, as President George H.W. Bush did, on the long-term interests of our nation. And I think if we do that, we can get this relationship back on course.

Combating Misunderstanding through Mutual Learning

Henry Huiyao Wang: For the last five or six years, there seems to be more misunderstanding between our two countries. I think we will need to work hard to promote better dialogue and understanding like what we are doing tonight. Working on trade is an obvious thing to do. Since the Second World War, trade has brought prosperity to the world and prevented a Third World War and we're

still living in peace and prosperity largely because of trade.

Regarding the comparative advantage that you talked about—David Ricardo has a theory that countries do best when they exchange. The US dominates in many areas such as technology, finance and the internet, while China has been doing well in infrastructure and also many other areas—I see a lot of collaboration there. But unfortunately, the whole world is facing a huge challenge. We've been in this pandemic for several years and it is still cutting us off from each other, at least in terms of travel. How do you think that we can work together on this? I was talking to Susan Thornton, former acting Assistant Secretary of State of the US and she was saying that Covid-19 could be the best chance for the US and China to let bygones be bygones and concentrate on this common threat, mankind's enemy number one, rather than becoming more divided because of Covid-19. The origin-tracing issue, blaming and finger pointing on China are still common topics, but we should ask how can we fight this pandemic? How can we restore world travel? How can we work together with the WTO? The US now is lifting some of its lockdown policies, but there are still surges in some areas. Maybe China and the US can really work together with regards to vaccine recognition and travel exchanges and now according to the US Embassy here almost 85,000 student visas have been issued in the last three months. We had a mile-long queue at the Pudong International Airport – students are going to the United States to study and yet US students still cannot come to China. How can we get the US and China to focus on pandemic-fighting, rather than finger-pointing and shouting at each other?

Neil Bush: That's a great question, and it's a question I would ask on a number of major topics that affect the sustainability of life on Earth for humans, including climate change, food insecurity, everything health-related. The pandemic is the most obvious and most pressing matter that you brought up, but because of climate change, we have all kinds of natural disasters. How can we learn to alter the course of climate change so that the Earth will be able to carry on for many more years beyond the current trajectory? These are big issues and clearly the two largest economies in the world, as David pointed out in his opening comment, have to work together. In fact, it's hard to imagine solving these issues without the collaboration of China in the United States, there's a clear mandated necessity for all of us to share our common humanity in addressing these kinds of issues. And I agree with you on the frustration over the finger pointing, especially at the beginning of the outbreak. We had messaging coming out of the White House that said that it's just going to be here for a little while, that we have 13 cases and it's all going to go away. They also said we're going to have a mask mandate, but people said "I'm not going to wear mask". Then everybody should get vaccinated, but there was no real push and so there was a huge anti-vax movement in the United States.

We don't have a national pride or national drive to combat this pandemic in a way that we, as a nation, could. We should learn from one another. We should be open minded about looking at what New Zealand has done, what Australia is

done, what China has done and what other countries have done. We should share the best technologies that exist for vaccine development and have manufacturers all over the world convert their vaccines into qualified vaccines so that the global population could be more readily vaccinated against this pandemic. All of these things need an environment of collaboration, which, sadly, doesn't exist today. I'm convinced that things will change overtime. I may be the only one that says this, but I do believe that this administration is already creating more opportunities for exchange and dialogue and inevitably when you sit down and you have dialogue with counterparts, good things come out of it: better understanding in addressing of serious issues in the topic of collaborating on the pandemic and healthcare-related issues in general should be front and center on the table for discussion.

Henry Huiyao Wang: We need a lot of cooperation in combating Covid-19. Actually, this could be punishment from Mother Nature telling us that we're not really respecting her. Climate change is huge lesson for us.

David J. Firestein: I would just amplify one point with respect to Covid-19 and let me make a broader point at the outset. Absolutely, Covid-19 and pandemics generally and in global public health, even more broadly, are areas where the United States and China should be collaborating, because these are the very definition of the kinds of issues that no one country can solve. These problems require collaboration from all the major players in the world. And instead of thinking of Covid-19 as a kind of wedge issue between the United States and China, we ought to be thinking of it as an opportunity for collaboration, not because it's a warm and fuzzy or altruistic thing to do, but because lives depend on our ability to collaborate.

And as I said in an interview in May or so of last year, when a house is on fire, the first thing you do is ask who's in the house and how do we get him out. You don't ask who started the fire. Yet we saw in the United States, this propensity to demonize China, to lambaste China and to assume the absolute worst about its motivations. What we really should have been talking about at that time was how do we save lives and how do we work together to bring as early an end to this pandemic as we possibly can. And with respect to this particular facet of the issue, I just want to say here what I, and we as a foundation, have said emphatically many times, which is that the racially charged rhetoric that emanated from President Trump and other senior members of the executive branch, including then Secretary of State Mr. Pompeo and members of Congress, was despicable, repugnant and deplorable. It was wrong and far beneath the dignity of any office holder in this nation. It is not how we should be communicating. People were using terms "China virus", "Chinese virus", or even worse, "Kung Flu". This is a disgrace, this brings shame on our nation for any serious political figure elected or appointed to use that kind of reprehensible language. As a result, and predictably, it drove the amount of Anti-Asian racist violence through the roof, which is deplorable and absolutely tragic.

As a foundation, we spoke out and continue to speak out about this. We've

got to get back to a much more mature and less juvenile style of communication. Because when you start throwing around these types of terms, any possibility of collaboration goes out the door, even if there really are valuable areas where we ought to be collaborating. Language matters, communication matters, and what I wouldn't give to have a way of thinking about communication and thinking about bringing people together of the type that we saw under the presidency of George H.W. Bush. To his credit, President Joe Biden has gotten rid of that kind of language, he's banned it from the White House. He said he will fire people for using language that is not appropriate for the White House of our nation, and he's done it. I think we're getting back to some of the norms that were established under many Presidents, but that is a really important part of the "Covid peace". If we don't communicate in a mature and professional and serious and businesslike way, any hope of collaboration that would benefit all of us becomes very remote.

Henry Wang: I think that we need to improve our communication. Covid-19 already separated us to the point where we can't have a face-to-face meeting, so we should really be careful of our language. I'm glad to see that when President Biden came into office, he actually signed an executive order banning the use of ethnic language when referring to the virus. That is a good sign. We hope that things can get better. President Biden has already been in office for over six month and and China and the US have had several rounds of discussions including the Alaska meeting with Secretary Blinken and Chinese senior diplomats as well as a visit by deputy Secretary of State Wendy Sherman to Tianjin, where the second round of discussions took place. It seems the second time was better than the first time.

I think one of the best was actually when the former Secretary of State, and now special envoy, John Kerry's first visit to China to speak on climate change and collaboration. John Thornton, honorary chair of the Brookings Institution, is also currently in China meeting with the Minister of Environment and has had a lot of constructive conversations. We hope that the US and China can work together on the most critical issues to mankind because the world's two largest economies have a responsibility to do that. Some questions that remain are where can we really improve? What are the lowest-hanging fruits? Can we start with climate change, so that we can get some positive news? Can we have US students back in China? Or may be we can reopen the closed consulates in the US and China?

Neil Bush: One of the great blessings of connectivity is having so many thousands of students come to the United States every year. We're a land of immigrants and I know these students aren't immigrating, but it's wonderful how America has taken the best of talent from all over the world. They come to this part of the world, they learn and go back to their countries, or stay and help us build our economies. There's so much value to those student experiences, both US students going to China and vice versa. David, what's the prospect for that activity cranking back up again?

David J. Firestein: First of all, it is encouraging to see us getting back toward something that looks more normal in terms of the flow of students and the flow of people within the constraints of Covid-19, which are significant. At least we're moving back in the right direction. There was a 12-month period where, year over year. From 2019 to mid 2020, we actually saw literally a 99% drop in US student visa issuance to Chinese students from 80,000 to 800, approximately. Some of that obviously was Covid, but a lot of it was also just a very fundamentally different view under the Trump administration about the value, or what they would have regarded as the lack of value, in having students from China come to this country. What Neil understands, what I understand and what Henry understands is that, actually there's huge value in having students from all over the world come to this country and contribute to our research and development, contribute to scholarships at universities, contribute to the development of new ideas and innovation in new companies. And the notion that turning off that spigot is good for America is just about as dumb an idea in terms of the modern 21st century economy as I can imagine. And so to see it move back toward a more normal level, at least in terms of Chinese students coming to the United States, and I certainly hope will see an analogous upward tick in US students getting back to China once the overall health situation allows for that, these exchanges are great for our countries and we need to increase them not decrease them.

In terms of what's the low hanging fruit, in addition to getting student numbers back up, I think we need to get the Fulbright Program back up and running again, we need to get other cultural and educational exchanges back up and running, we need to get the US Peace Corps functioning in China again, assuming China still welcomes that. We need to get the two consulates back up and running again, Neil and I both feel very strongly about that, and so do many other Americans. We're not helping anybody by shutting down the Chinese Consulate General in Houston or the US Consulate General in Chengdu. It hinders both countries' abilities to provide services for citizens to support business, trade, and so forth.

There are areas that the Biden administration identified very early on, as areas that are fruitful and potentially very beneficial to both countries in terms of collaboration. One is public health, both China and the United States made some very serious mistakes in their early handling of Covid-19. The question now is how do we actually make the situation better? We've talked about Covid-19, but also the issue of climate change, the issue of arms control, the issue of nuclear nonproliferation, including on the Korean Peninsula, but not limited to that particular space. Now, the United States and China need to come together and talk about the incredible and tragic situation that we now see in Afghanistan. And I think there are much to discuss the question of Iran's nuclear ambitions and other issues including piracy on the high seas. There are a whole host of areas where it's in each country's interest to work together. We, as a nation, disagree with China on many numbers of issues, and China disagrees with America. China does some things that are immensely problematic for America,

no question, and America does some things that are very problematic for China. We have to set that aside, in a clear-eyed way, and focus on where we can make a difference and there are a lot of areas where we can, and that's what I hope will see over the coming years.

Recommendations for a Way Forward in Sino-US Relations

Henry Huiyao Wang: I agree with you. I think that both US and China being the two largest economies really have a huge responsibility to work together. You're also right about the issues including the chaotic situation in Afghanistan? How can we really work together on that? China, the US and countries in the region should really work out a post-war plan, for the peace and stability there. And of course, there's the issue of the Korean Peninsula and there are issues of Iran – China was one of the talking parties there. But what's more important is that the world economy also needs us to really work together, especially for developing countries in Africa and Latin America and so many others. Absolutely, we need to put aside our differences and maximize our common positions.

David, I noticed that in January you spoke at a forum in Hong Kong organized by the US-China States Exchange Foundation. You mentioned about six points on a way forward. You said that we should reopen the consulates in Houston and Chengdu. The second recommendation is to restore the Fulbright Program. The third recommendation is to restore the US Peace Corps presence in China. The fourth recommendation is that the United States government should stop efforts to shut down Confucius Institutes. Number five is more openings in trade and investment, also people to people exchanges. The sixth is to think about creating an international visitor leadership program for China, which China could also consider creating for Americans to come to China. You were part of the earliest group scholars come to China and you have experienced the change first-hand. Can you elaborate on those points a little?

David J. Firestein: I think we are facing a very turbulent, contentious, difficult, and challenging time in the relationship right now. It is going to be very difficult to do big things at this moment because of the tenor of the rhetoric and the mindset in Washington. For that matter, you sometimes also hear some heated rhetoric from the Chinese side et cetera, so there's a lot of tension. But the question becomes what can be done? The things that you noted that I had talked about earlier this year and some of which I mentioned in this discussion, are things that are actually doable. They're not things that are really that controversial, they're not things that are that difficult to do. Most of them can be done with the presidential executive directive or executive order as many were undone by Trump with an executive order, so can they be restored by the same mechanism. You're not talking about new legislation, which would be a very difficult thing to achieve in this environment. All of those things that I

propose are not only because they're good for China but because they're good for America and good for the relationship. They can serve as confidence building measures that can get these two countries moving back in the direction where we're actually speaking to each other in a businesslike way and focusing on solving problems.

The one thing I would amplify from the list that you just mentioned is the International Visitor Leadership Program, or IVLP. That is a program that exists in the United States through which many thousands of foreign citizens come to the United States at the expense of the American government and the US taxpayer. They come and spend two or three weeks and they learn about this country first hand by traveling, meeting people, and learning about America, as we would say warts and all, not just propaganda, like here's the things we're doing well, here's the things we're not doing well, and going back with a better and more textured understanding of the United States to their country.

I think if China were to do something like that, it would be very beneficial because not all but many of the sharp and the harshest critics of China in the United States have never been in China or never lived in China, unlike Neil, unlike me, and unlike many others. They haven't actually interacted with Chinese people at a human level in many cases. They don't necessarily have their fingers on the pulse of what's happening in that country in the same way. I think China would be well served to create an International Visitor Leadership Program, and literally bring thousands or even tens of thousands of Americans to China every year, in the way that the United States brings foreign citizens, including Chinese, to the United States and help Americans, more Americans to get a much better understanding of the real China – warts and all, the good things, the bad things, the things we agree with, the things we disagree with, because that foundation of understanding can lead to some really good things. I think China underinvests in people to people exchanges of this type, and I think China would be well served to invest more. Frankly the United States would be well served to invest more as well. We need it more than ever during this very challenging period in US-China Relations.

Henry Huiyao Wang: You make a very good suggestion about setting up an International Visitor Leadership Program like the US in China so we can bring hundreds and thousands of visitors and leaders to visit China and understand China because seeing is believing. I also hope that we can restore the Fulbright Program. When people come and interact and have this human touch and human bond, it would greatly change many things going forward.

As a matter fact, CCG recently launched the Global Young Leaders Dialogue program. While we haven't been able to attract people from outside China, we're attracting international young leaders who are already in China, which is going very well. We've organized six trips to six provinces with 100 global young leaders, 36 of whom wrote a letter to President Xi and received a reply.

So now Neil, I'd like to ask you a question about Texas. We know that Texas has abundant energy resources and energy cooperation is a big area of

cooperation between China and the US. I remember when President Trump came to China in 2017, he signed over \$250 Billion in various deals and a big chunk of that was part of an energy deal including Texas and Alaska. Before Trump started the trade war, we saw a lot of cooperation on trade. I did a little research and if you want to move shale gas or LNG from inland Texas to a port and then export it to China, the cost of shipping to the port is double the cost of shipping it from the port to China. It seems the lack of infrastructure within Texas is detrimental to exporting to China. Would it be possible for Chinese companies could help out in terms of building infrastructure through a joint venture with US companies? Maybe that's an area where we could work together.

Also about Texas—aerospace and aviation could also be potential areas of cooperation for China and the US and even businessmen are going to space now. When we look at the Earth from space, it makes you wonder why human beings living in this global village are fighting with each other. So, do you think we could have further collaboration in these areas?

Neil Bush: First of all, I'm going to reflect back on David's comment about comparative advantage. Trade is about comparative advantage and one of the great advantages that Texas has, and the United States has had up until recently, is that we've had a surplus of oil production and natural gas production. I can't to speak to the infrastructure issues in the costs of transport from West Texas and the Permian basin to the coast of Texas and then shipping it around, but to the extent that there's a demand in China for these products and we can provide the supply to meet that demand on a cost-reasonable basis, we should engage in that trade. It's just as simple as that and the trade deficit will be reduced by that. I personally really don't care about the trade deficit, but the fact is that some politicians would be able to brag about how they brought the trade deficit down. I love your suggestion that we should be very open to having joint venture collaborations and investment in infrastructure by Chinese in joint ventures with American companies to get access to these supplies. It makes total sense to me. You also mentioned aerospace and reminds me that the Bush China Foundation has been a co-sponsor of an event that's happened three years in a row, called the International Symposium for the Peaceful Use of Space Technology with a focus on health. This organization has brought together leading space-related agencies and organizations from around the world—from France and Germany, from Japan and Russia, the United States—and it has been pretty remarkable. The last couple of sessions have been in-person in China, but virtual for all those outside of China. The first forum that was held in Hainan Island was very successful in bringing people together. I'm not sure about the privatization of space and how that there's going to be competition—to get out there, to try to attract customers, to make the economics of space travel for tourists, but there are all kinds of science that can be gleaned from space related work and that's the kind of science that's going to benefit humankind and to the extent that China brings something of value to that exploration along with the American and Europeans – we should collaborate, no doubt about it.

Emphasizing Common Understanding over Differences

Henry Huiyao Wang: There's a lot of interest in collaboration with the US and there are a lot of things that we can work on together. China's GDP is growing and may surpass the US in a few years despite GDP per capita still being far behind. How can we really accept each other and coexist with each other peacefully? I remember that you said before that the US has a system that fits the US and China has a system that fits China and we should not really try to change each other. Can we really reach that kind of a common understanding? And if so, how we can do that?

Neil Bush: I'll give you an example. When the topic of Afghanistan came up, my brother, President George W. Bush, and his wife, my sister-in-law, Laura, had very strong feelings about their concerns for the rights of women and children in Afghanistan, with the Taliban coming back into control. There was a small military force of around 2,500 troops there that helped support the Afghan troops, but it was very small compared to what's on the Korean Peninsula today. And it seems to me that for civilized nations around the world that are concerned for the rights of these women and these children, who may be thrown back into the Dark Ages through this change of leadership, would be motivated to work together to keep a presence there to maintain the stability.

The American people are kind of tired of being perceived as the sole protector. There were allies there, but not in great numbers and the American people elected Biden with his promise to withdraw and President Trump made the commitment to withdraw. However, a better strategy would have been to say, let's get countries from all over the world, people that have a notion of what it is to be civilized and find our common humanity and work together to secure the rights of the people of Afghanistan, not nation builders, but protectors of basic human rights. So that may be idealistic and naive, but I do believe we're going to get there. The world is becoming so connected, so close, and everything is far more transparent than it has been in the past and so where there's a wrong there's needs to be righted, we need to work together to right that wrong. And of course, I'm on the edge of very controversial issues here, specifically related to the treatment of minorities in Xinjiang for example. I just hope that the Chinese are very, very transparent about what's going on there and that the truth is known so that the world can settle down. I'm all in favor of America expressing our values and where we feel there are human rights challenges, but let's bring people from all over the world to put pressure on it, to address those human rights related issues, which relates Afghanistan and other places in the world today.

Henry Huiyao Wang: I think that more communication and visits are crucial. Xinjiang welcomes foreign visitors and after Covid we really hope that more people come to Xinjiang, which would probably clear things up. So, David, how do you think we can really co-exist peacefully together and maybe gradually accept each other's differences. China has been managing the pandemic well,

basically putting collective interest over individual interest, whereas the US emphasized the principle that human rights cannot be violated. US society actually had less freedom, whereas Chinese citizens might have individually suffered a bit, but society as a whole gained more freedom and rights. What are your thoughts on that?

David J. Firestein: First of all, please let me back on the topic of energy, then I'll come to the broader and very important topic that you've raised in terms of how we can go forward together.

We at the Bush China Foundation care a lot about the issue of energy. We've been advocating for an idea that we created and coined, called the US-China Energy Free Trade and Investment Agreement or USEFTIA. It's a very simple concept at the conceptual level and it's exactly what Neil said, in terms of energy—the United States has it, and China needs it. So let's do it. It's pretty simple. We can genuinely create a win-win in the energy area and our idea is to take energy out of the trade war and fast-track it for a more robust trade and create the legislative and policy context and regulatory predictability, so that the infrastructure investments can be made. Thus, we can export, for example, liquefied natural gas, which Texas has in huge abundance, to China, which has said that it wants to double its liquefied natural gas consumption over the next 10 years or so and move from 7% of the energy mix to 15%. It's a perfect scenario where we can sell something that we have. China can buy something that it needs. We can put a Texas sized dent in the US deficit for those who care about that just as Neil said exactly correctly. Everybody walks away a winner, including America and the state of Texas, which really walks away a winner along with others that produce liquefied natural gas. It's an obvious idea.

The reason that we don't see the kind of trade in that area is because of the legislative policy and regulatory unpredictability that we have seen surge in the last several years. Nobody wants to make the investment of billions or tens of billions of dollars, that would allow this trade to occur in terms of terminals that can deal with liquefied natural gas and so on, and the bottom line is that this is an easy one, and we ought to do it. So, we've been advocating that and we've also advocated for the idea of the United States and China actually working together. Governments, former government officials, business leaders, non-profits organization leaders and others to come together to mitigate the impact of energy poverty in the developing world and specifically in what we might term "the bottom billion" to use the term that was coined by another author—to one of the big problems among the one seventh of the population that is least fortunate or poorest is energy poverty. So, what can the United States and China do together to alleviate and mitigate the impacts of energy poverty on that segment of the global population.

Henry, to your broader point, I want to say is that those of us who understand China well and have lived there or been there many times understand something that we don't often say, but I think is true, and that is there are a number of the differences between the United States and China are simply irreconcilable. We

are never going to see eye to eye on those issues. We are never probably going to see eye to eye on the issue of Taiwan, for example. China has its view and the United States has its view and the views are essentially irreconcilable. We're not going to see the issue of the South China Sea in the same way. China has its long-held view and the United States and many other countries have a very different view. We're not going to get to a point where we have a meeting and come away from it, and say, "now, we agree on it". This is the same for Hong Kong, same for the issue of human rights and a number of other issues. So the point is that given that there are differences that will always be part of the fabric of the relationship between our two countries, how do we manage the relationship in light of that? I think the view that Neil and I and the Bush China Foundation, and other moderates in the United States, the few of them that seem to be out there at this time, is that it can be done. We can have a business-like, functional, constructive, result-oriented, mutually beneficial, and politically sustainable relationship, even with those differences being unreconciled. And we ought to aspire to that, rather than say, "look because we disagree on all these different profound issues, let's take our balls and go home". We advocate the opposite. At the Bush China Foundation, Neil and I advocate that this is all the more reason that we need to come together with a problem-solving mindset. I think it can be done. It just requires the vision—the vision that George H.W. Bush had, the vision that Neil has, as our Founder and Chairman, and the vision that we seek to give expression to with this foundation. It's possible to do. We're going to keep doing everything we can to move in that direction and I know that there are many in China that feel the same way and many in America as well. And we're going to continue to stand strong for that sensible, common sense, moderate perspective on how to move this relationship forward.

Henry Huiyao Wang: You made a lot of noteworthy points. We should probably really maximize the commonalities, common ground and minimize the differences. Naturally, our cultural, historical and geographical and other big differences will probably remain for a long time to come, but we have so many common interests, not only for both countries, but for the world, that we should really work together so that we can avoid catastrophe in the form of a hot war. Populism and nationalism is on the rise on both sides and that is really dangerous. As you said, we may be cool-headed and realistic, but I think we need more people like us in both places.

We have one question from CGTN, which has asked in which areas can China and the US corporate in coping with the pandemic? They also ask about your views on Biden's Afghanistan policy and if China and the US can work together in Afghanistan and how?

Another two questions are from the China News Agency: some argue that investigations into the origin of the virus are more about politics than science—what are your thoughts on this and how can we get out of this? How should China and the US work together on fighting the pandemic.

Neil Bush: I will start on the last question you raised about the origins of the virus. I am not as concerned, for example, about the origin of climate change. Whether humans cause climate change or whether it's a natural occurrence or whether it's some combination. The fact is that there is climate change and we need to address it and there is clearly a role for the US and China and all the nations of the world to lock arms in addressing it. China's got its 2060 carbon neutrality pledge. Governments at all levels and the private sector will be unified in their effort to do that, and I have no doubt that China and the US would be major players in the collaboration to try to address climate change. The same thing kind of thing rings true to me with the virus. Who cares where it originated? Whether it originated in a lab or from a bat or from the United States or from others, wherever it originated, who cares? The fact is that we have a pandemic that continues to affect the lives of hundreds of thousands of people all across the globe and there is a pressing need for mature, civilized nations in the world to work together. David may have more specific ideas on how we can work together, but it seems that collaboration is very natural when it comes to something as big as this. Regarding the origins, I reject the idea that there was some malicious effort to release a virus that causes a pandemic—I think that is a crazy notion—but there is some intent from one side or the other to do this on purpose. We should throw away the crazy conspiracy theories and just assume that there was an origin of some kind. It doesn't matter where it originated. Let's deal with it together.

Henry Huiyao Wang: We can't find where AIDS originated – some say it's in Africa, some say it's in America. Who cares? Let's find a cure for it. I would also be silly for China to invent a virus and started that in China. It does not make sense. David. What is your take on these issues?

David J. Firestein: I completely agree with what Neil just said. The idea that the virus was something that was unleashed upon the world with intentionality is ludicrous and just not a serious idea. Why would a country unleash something on itself and everyone else that it trades with and so forth? It just does not make any sense. There are areas, I think, within the context of Covid-19 and pandemics more generally, that we ought to work on together. Let me make one point at the outset, which is that Covid-19 is not going to be the last pandemic that we as a world ever face. There will periodically be pandemics and they will originate in either country A or country B, but we will have to cope as a global community with pandemics periodically forever. And so, learning how to work together to actually solve medical and public health and epidemiological problems is a good thing for countries to be able to do.

I think we were able to do that to a greater degree when the relationship was less politically charged than it is at present, and we have gotten away from that, so rather than focusing on the blame game and demonizing each other, we should have been focused on solving the problem right at the outset. I will be honest, and I said in the *Global Times*, one of China's preeminent newspapers back in

May of last year, that I think neither the United States nor China responded in the earliest stages of Covid-19 to the pandemic with the openness, the transparency or the sense of urgency that we should have. I think China made significant mistakes in its early handling and I think the United States also made significant mistakes in its early handling. The question now is how do we actually work together to solve problems for real people? I think we can do that in the areas of research and development of vaccines, comparing notes on what is working and what is not working, bringing medical practitioners and policy experts together around the issue of the Delta variant specifically and helping each other as we did in the early stages in both directions with providing material like personal protective equipment. I'm glad that we, as a foundation were part of that, along with many others in both directions. Fundamentally, focusing on solving a public health challenge rather than politicizing a medical issue and a public health issues is what we need to be focused on.

On the issue of Afghanistan, I think there is a clearly an opportunity now, because of the tragic circumstances in the country with the Taliban retaking Afghanistan, as well as a need, for the United States and China as players that have significant interests in Afghanistan, to come together and really talk to each other honestly about the situation. On the questions of our current assessment of the situation and what plans individual countries have relative to how they intend to engage Afghanistan going forward, I think there is a lot that could be done to exchange views and, in fact, less than two months away in October, the Bush China Foundation will be bringing people together on this topic to get a conversation started and I am sure that others will be doing that as well. But I think that anytime there is a global crisis or global challenge, the United States and China, as the two largest economies, as permanent members of the Security Council of the United Nations, and major global players with presences across the globe economically and in terms of development, need to be involved. Afghanistan is a clear case where I think there is a benefit to sitting down and saying what do you think about what is happening there. These are all areas for improvement and I hope that we will see that improvement, because as I have often said that the United States cannot be all that it was meant to become without China, and China cannot be all that it was meant to become without America. We need each other, whether we like it or not and we have got to get this relationship right because the consequences of getting it wrong are far reaching and very unpleasant.

Moving Forward in the Bush Spirit

Henry Huiyao Wang: We really need to concentrate on working together in solving public health issues and preventing future pandemics as it could come again. We have to work together as a human race rather than as individual countries, so we probably should have a consensus of some kind or the maybe WHO could coordinate among major countries to workout some

recommendations. On Afghanistan, I agree with Neil that probably even before the evacuation, the US should have gotten all countries to work together and maybe have the UN to play a more active role with a possible UN peacekeeping force to safeguard the evacuation and prevent future disaster.

Today we started with 50 years of US-China exchange and Nixon's visit and with China joining the UN when George H.W. Bush was US Ambassador to the United Nations, including Neil's great encounter with the Chinese delegation. We also talked about the legacy of both Presidents, George H. W. Bush and George W. Bush, which is to have more exchange, more dialogue, create more understanding of each other and try to avoid major disasters and deterioration of relations by seeking common ground and minimizing differences.

In closing, how should we look forward and move forward in the spirit of the President Bush? We are very pleased and honored to have Neil Bush with us today. Your family is probably one of the greatest in history, producing two Presidents of the United States as well as the Bush China Foundation, which shows how much your family cares about this relationship.

Neil Bush: I will start by reiterating what my father has often said publicly that the bilateral relationship between the United States and China is the most important bilateral relationship in the world. It was prescient of him to say that many years ago because it is becoming truer now than ever given that the gravity of the issues that we face as humans on Earth. I would further say that, given the United States' economy, our GDP and our individual wealth, huge shot in the arm. Our biggest partner in the world of globalization has been China, so the United States has been a beneficiary of trade, as imperfect as it is, and as David pointed out, this trade relationship has benefited our country tremendously, and there is no doubt that China has been an enormous beneficiary of our trade relationship as well.

We've had more and more cultural exchanges and student exchanges. There have been millions of Chinese visitors to the United States and they all happily go home to China. It's not like there's something restraining them from getting back into their homes or desires to go home. But the reality is that we benefited tremendously from this bilateral relationship, so the past to me is what we should look at to predicting the future. The future is going to be even better. We've come in to this at kind of a crazy time where China's rise all of a sudden being recognized by politicians as a threat to the United States, and once we can get over the hurdle that China doesn't represent a threat to our national security, to our economy, to our freedom or basic way of life, then through dialogue we will establish better understanding and more cooperation. I've pledged to continue to work with David and our team at the Bush China Foundation to do whatever I can to help speak truth and shed light on this very important relationship in a way that hopefully will allow for greater collaborations across the board, not only on all major issues, but on basic things that are taking place day to day. Our governments at all different levels should be having meetings to share in to better understand, to put ourselves in the other guys' shoes, in to create a better, more

peaceful and harmonious world.

David J. Firestein: President George H.W. Bush brought incredible vision to the US-China relationship, and he asked himself a fundamental question about the relationship that was different than the kind of thing that we are seeing today. Today, political figures are sort of saying “where is the relationship going to be 15 minutes from now, when I do my next tweet?” What President George H.W. Bush asked was where do I want this relationship to be, in the service of the interests of our nation 50 years from now, and 100 years from now? That far-sightedness, that ability to pay less attention to the headline of the moment, and more attention to where this relationship could go over the long haul, that was a hallmark of President George H.W. Bush and that is what we carry forward at the Bush China Foundation—the notion that what is happening today is less important than where this relationship is ultimately going to be. We fundamentally believe that the US-China relationship is the single most consequential bilateral relationship in the world. It matters to America, and of course, it matters to China as well. We have to get it right and we have to think in terms of the long term, because the turbulence that we are seeing today will not always be with us. There will always be disagreements and differences in perspective on some pretty important issues, but the tonality shifts from time to time, the way that we think of different countries can shift based on what is happening in the world and we are looking at the long-term interests of the United States. That is the angle that we are coming out this relationship from.

I think that we as Americans need to do a better job as a whole people and as a nation in recognizing the validity and the truth of two statements at the same time. Number one, China is the most formidable competitor that the United States will ever have in the lifetimes of every American alive today and the reverse of that is true as well. But it is also true that China is an indispensable partner to the United States, whether we like it or not. And America is an indispensable partner to China. We have a stake in each other’s future and we need to be able to work together with that in mind. I think if we can recognize that there is truth to both of those ideas and by the way, competition is not a bad thing. Competition is what has made the world what it is today. It’s generated progress, it’s generated the better mousetrap, and it’s generated technological innovation. So yes, we compete, but yes, we must also cooperate. We understand that the Bush China Foundation and I could not be more privileged and honored than to have the opportunity to be Neil’s partner in carrying forward the legacy of someone for whom I have extraordinary reverence and respect — President George H.W. Bush.

Henry Huiyao Wang: Your remarks are really impressive. Half a century really is a long time, but also it is also very short. I was a teenager when I first saw the photos President Bush riding that bicycle in Beijing and we’re all much older now. What has happened in the last half century has been remarkable. China has become the second largest economy after being one of the poorest countries

in the world and that is incredible. I agree with you that China and the USA are indispensable to each other, but the question is how can we come together and continue our efforts to maintain this relationship? I think the Bush China Foundation has done a remarkable job and CCG also is doing its best. We are trying to become a bridge between China and the world. I hope that we will continue having discussions and that a rational, reasonable and more human environment will develop between our two countries. Neil, your father and your brother came to the Beijing 2008 Summer Olympics and we hope to see you at the 2022 Winter Olympics. We also look forward to reviving people-to-people exchanges, students exchanges, tourism and lots of other programs. We have a huge bond and we should continue the legacy of both Presidents Bush.

New Realities of US-China Relations in an Interwoven World

A Dialogue with Susan A. Thornton and Ronnie C. Chan

Henry Huiyao Wang, Susan A. Thornton, and Ronnie C. Chan

In a world that has become increasingly interconnected through trade, transportation and interpersonal exchanges, especially between the United States and China, there are bound to be challenges that test the stability of relations as new realities arise. It is through dialogue and exchange that these challenges can be addressed and resolved.

In the following dialogue, Dr. Henry Huiyao Wang, Susan A. Thornton and Ronnie C. Chan explore the dynamic nature of the China-US relationship as well as issues related to global governance in today's world.



Henry Huiyao Wang in dialogue with Susan A. Thornton and Ronnie C. Chan

Ronnie C. Chan is Honorary Chair of Hang Lung Group Limited and its subsidiary Hang Lung Properties Limited. He is not only a successful businessman, he is also active in many other non-profit and educational organizations. He is a co-chair of CCG and chairman of executive committee of the Better Hong Kong Foundation. He founded and chaired the China Heritage

Fund and is the co-founding director of the Forbidden City Cultural Heritage Conservation Foundation and also a former Vice President and former Advisor of the China Development Research Foundation in Beijing. He's also the Co-founder and Chairman of the Center for Asian Philanthropy and Society, and founding chairman emeritus of the Asian Business Council. He's also the former chairman of the Hong Kong-United States Business Council and former Chairman of Executive Committee of the One Country Two Systems Research Institute. Mr. Chan is also the Chairman Emeritus of the Asia Society and the Chairman of its Hong Kong Center and a fellow of the American Academy of Arts and Sciences, and a member of the Council on Foreign Relations, the National Committee on US-China Relations and the Committee of 100. He has also served on the governing or advisory bodies of several think tanks and universities, including the Peterson Institute for International Economics, World Economic Forum, East-West Center, Pacific Council on International Policy and Eisenhower Fellowships. He graduated from the University of Southern California.

Susan A. Thornton is a retired senior US diplomat with almost 30 years of experience in the US State Department focusing on Eurasia and East Asia. She's currently a senior fellow and also a research scholar at the Paul Tsai China Center at Yale University's Law School, director of the forums on Asia-Pacific Security at the National Committee of American Foreign Policy and a non-resident fellow at the Brookings Institution. Until July 2018, Susan was the acting Assistant Secretary of State for East Asia and Public Affairs at the Department of State and led East Asia policy-making on North Korea, escalating trade tensions with China and the fast changing international environment. In her previous State Department role, she worked on US policy on China, Korea and the former Soviet Union and served in leadership positions in US embassies in Central Asia, Russia, the Caucasus and China. Ms. Thornton received her MBA international relations from Johns Hopkins and her BA from Boston College majoring in economics and Russian.

Wisdom Coming Out of a Difficult Time

Henry Huiyao Wang: Ronnie, you're a frequent visitor to the mainland and about two years ago, you gave a talk at CCG about the future and gave some predictions about what was going to happen to humankind. I remember you had a list and one of the things you emphasized was a pandemic – I remember that very vividly. It felt far away and didn't quite seem real, but it actually happened. So here we are more than a year and a half into this pandemic and we're not out of the woods yet. What do you think about this ongoing pandemic? What are we facing worldwide, how we can get out of it and what are the things we should be more cautious about? We want to tap into your wisdom again.

Ronnie C. Chan: About 10 years ago, I drafted a list of eight issues that could

all, in my opinion, destroy a good part of mankind, which I showed Helmut Schmidt, the late chancellor of Germany, and I said I know every one of these will happen, I just don't know which one first. And he looked at the list and he said: pandemic. I thought about it and I said, "you're right". That's why I told you two years ago that probably a pandemic will hit first. Let's compare two big countries to how they dealt with the pandemic, which can tell us a lot about the world today. One is of course the United States and the other is China. Obviously, we happened to have Trump there at the time.

America is handling it in a very free-spirited way and as a result, you have 35 million people infected and about 611,000 people who died. I don't think the Americans can do it the Chinese way nor the Chinese the American way. This tells you a lot about the history and the difference between cultures, not just countries. In China, of course, what they did is truly amazing. I don't think any other country of any size, except very small ones could have done that—the total lockdown of a city. Everybody was shocked when they first started it and eventually it turned into a near lockdown of the whole country. And as a result, in two months they got out of it and as of today, there's less than 5,000 people who died and only about 104,000 infected, so it's very different. But I accept those as facts because the Chinese could never do it the American way. If they were to do it the American way, the government would be in trouble since the people would rise up and give them hell. On the other hand, the Americans didn't do it in the Chinese way and this resulted in economic downturn and a lot of deaths. But that said, America is blessed with natural resources like no other country both per-capita and in absolute terms, so America will pull through. I think America will do OK and people seem to accept the fact that 35 million people were infected and 611,000 died. But I worry a lot about the economy, because the national debt is getting so high. I think America is a society where good governance has run its course. It is a systemic problem, not the people's problem. When Susan is there, it's better, when Susan is not there, it's worse.

Susan A. Thornton: I want to take up the call from Ronnie on the issues of how the US and China responded. But first I just want to note some general things that I think need to be mentioned and are really surprising. First, I was in China for SARS, in Chengdu in Sichuan Province and a lot of the things that have happened were not as surprising to me as they might have been to other people who weren't as close to that. But certainly, people in China and in Asia, who dealt with that in Hong Kong and other places in Asia that had SARS cases. This was pretty recognizable and it should have been more recognizable in the US. But the thing that's so disturbing to me is how much we still don't know, like how wily and clever this disease is, and I have to say that, frankly, I think it's going to go on for a long time.

There's nobody that's wiser on this stuff, in my view, than Zhong Nanshan. I think he is a national hero, a treasure, as well as a global hero and we should all listen to him. Today he said something like we're going to have to get used to living harmoniously with this disease, implying that it will be like the flu other

diseases that are out there in the public domain and we have to figure out how to have an annual shot, and wear masks and take precautions and some people are going to get sick. I think in the end, interestingly, countries are going to end up dealing with this disease in the long-run all in the same way, but in the short run things were so different and depended on resources, politics, culture and systems.

I remember talking to one of our CDC experts that was stationed in Beijing. In February, he was evacuated from with the first wave of people out, when all the families left after Wuhan was shut down and I asked him about the shutdown of Wuhan, which had just happened a few days or a week before. He seemed very skeptical that it would work and said this will be the greatest sociological experiment that the world has ever seen. That just goes to show you that even someone who knows China and diseases in China well was quite skeptical of the ability to lock down a city of 11 million people and have that work. I guess it shows that Americans would have been disbelieving, pretty much across the board, that we might consider doing the same thing. But to me that signaled how serious the Chinese government was taking it at that point. The real sad thing about this disease in comparison with SARS is that it became a political football between the US and China and thereby eliminated the possibility for cooperation and actually ruined international cooperation on recovery. I would love to hear from Ronnie if he thinks there's a way to recover, because we're still in the throes of the pandemic as you both mentioned. We still have a lot of work to do to get through it. We need vaccines badly and lots of them, and if we don't work together, then it's just going to be prolonged and more agonizing to recover. I've been waiting to see if something like this pandemic could pull the US and China out of their hostility and come up with something that we could do together or at least stop fighting and it hasn't happened yet. There's nothing that's less political than a public health issue, so this is actually a source of great agony for me.

Henry Huiyao Wang: Susan, you have been both in the US and China for a long time and your experience in both countries and first-hand observations are very valuable. You're absolutely right that both China and US should work together and this is one of those rare occasions that we should really work together—with China being the first to suffer and now the world. I heard some good news on CNN this morning that people who are vaccinated have a 99% chance of survival and it would be more like a bad flu. China has already administered 1.5 billion doses and the US has vaccinated 50%. You're right that we probably could call for a vaccine summit on how to fight the pandemic between China and the US like we had for the Earth Day Summit. However, it seems that both countries now are in a political shouting match, which is really not good. The US recently said they were going to trace the origin of the virus to China's lab, but the WHO has already done this twice in China and last time they had 17 experts, including some from the US. They went everywhere for around 40 days and issued a statement that said that it's unlikely that the virus was leaked from a lab. But now they're going to come back again. Originally, the Democrats called this a conspiracy theory, but it seems that they are following Trump's lead. What

do you think about this? We should really have the WHO, the US, China, and other countries like Japan and Australia working on how we can give vaccines to developing countries and make something like a vaccine passport. Since you know both sides so well, maybe you can give some additional comments.

Susan A. Thornton: Let me go back to the experience with SARS, because I think it's very instructive that basically we still don't know exactly how SARS started, even though you know, a lot of effort has been put into learning how the transmission began from bats in a cave in Yunnan and how it all happened. So my assessment is that it is going to be even more difficult to find patient number one with respect to Covid-19, because there were people that were asymptomatic that were carrying it around and so probably patient number one was someone who was ill. But since the symptoms were so similar to the flu it might be very hard to find that person.

I think since we're still in the middle of a raging pandemic. The real effort needs to be focused on addressing the problem that people are still getting sick and dying and we need to try to stop that from happening. We also need to try to figure out what to do in future pandemics, because there are more coming after this one. It would help us very much to know what happened, but I think it's not the most urgent thing to do right now and unfortunately it has become a political football between the US and China. I don't think either side is showing themselves to be in a very good light on this topic. I wish that, as Michelle Obama used to say, "when the other side goes low, we go high" and people would find a way to move on from this conversation. Maybe we can have some kind of a bilateral agreement or a WHO statement that says after the pandemic is under control in all countries, there's going to be a thorough investigation and everybody has agreed to fully cooperate and we will move on to that when we've gotten all of the vaccines out and dealt with the immediate problem before us. To me, that would be the proper ordering of priorities, but I'm not sure that anyone's going to be listening to me on this.

Henry Huiyao Wang: Correct. We should deal with the crisis first and get things under control. Then, in the future, source tracing can be done and should be conducted worldwide. There were many cases that actually occurred at the same time, even before Wuhan.

Ronnie C. Chan: Well, tracing the source is understandable. We always try to trace. People are still tracing AIDS and that was what 30 years ago. Then there was SARS and now Covid. As Susan well said, to make a political issue is really impeding human progress and unfortunately, Covid happened at a time when the United States has fallen into the Thucydides Trap. To say that China purposely leaked the virus, I would ask, who would be such a stupid son of a gun to leak it into your own backyard? If you want to leak it, you leak it in somebody else's house, not in your own house – this is almost brain-dead. Maybe I'm missing something, but why do you want to kill your own people? When you overlay

the political dimension, it's really just terrible. The source – who knows where it is. Some people say it is in the United States or the West because in 2019 cases were already discovered in Europe and in the United States, but were not widely reported. I think this political overlay is really impeding the whole situation. Once it becomes politicized you're not interested in science, you're interested in politics.

I want to come back to a point that Susan made that was very interesting. You said that your CDC friend who was evacuated from Beijing said that this is the biggest sociological experiment of mankind. It reminds me of what Sigmund Freud said one time – that the United States is the biggest sociological experiment of mankind and it won't end well. It's a little bit personal and he didn't like the United States, but he was wrong because you've been doing very well, at least until now. I fear that the experiment that has gone so well for 20 years, but it's going to turn back and the reason is because I think America is picking a fight. But it shouldn't, because the whole rationale behind the fight that the United States is picking with China today is based on an incorrect assumption. It's also a war that both sides cannot win and reminds me of Iran and Iraq in 1980s. Eventually, both sides suffered and I think now America is starting a battle that is going to last for a long time.

The cold war will go away, but I'm worried that in my lifetime, I may not see better days for US and China relations which pains me, because I think that many problems today can only be solved by the two biggest economic entities in the world working together. When one party intentionally makes the other into an enemy, it's ridiculous and terrible. They say China is destabilizing the Taiwan Straits and the South China Sea but actually spy planes have been flying there from the United States. In 2001, if America hadn't sent airplanes into the Taiwan Straits and their battleship through the middle of it, China wouldn't react. China just responded and now everybody's choosing to be brain dead. They are far smarter than I am, but they choose to be brain dead and so they say China is destabilizing the area. Stop sending spy planes along China's coast and stop stirring up trouble whether it's the Taiwan Strait or other areas. What if the Chinese sent their battleships and airplanes to the California coast, what would the United States do? It's really insane what is happening today.

Susan A. Thornton: I hope China won't do that. My advice would be to not reciprocate in that way.

Ronnie C. Chan: So you think if the Chinese sent planes to the California coast, America would not reciprocate?

Susan A. Thornton: No, I mean, I hope the Chinese won't feel that they need to do that because that is exactly what happened during the Cold War between the United States and the Soviet Union. I have been telling people for the last couple of years that this proves that China is not the Soviet Union, so I hope that China will not feel the need to do that. Although I have colleagues in the Pentagon, who

say that China is more than welcome to do that. But I don't think just because they say China is welcome to do that, that it would necessarily be a good thing. So I hope China will not do that, but we should talk more about this particular dynamic.

The Perfect Political Storm

Henry Huiyao Wang: Susan, you are an expert on the Soviet Union and know Russia and China so well. China is not the Soviet Union. From your conversation just now, I find that our fight against the pandemic should change people's impression of China a little, because China has gotten it under control. We just had an event with the World Bank a few months ago where we released its Global Economic Prospects report, which predicted that China would achieve 8.5% growth in 2021 and that it was the only major economy with positive growth in 2020. This was the biggest social psychological experiment for mankind – during which China was forced to have lockdowns and massive data tracing and quarantine. Now, to different degrees, these methods have been applied everywhere. I think one of the factors is cultural difference. Chinese have always respected authority, seniority and collectivism, even sacrificing some of their human rights to achieve larger freedom for the community. This different philosophy and other cultural differences made China freer economically and actually set new record trade numbers. China is misunderstood in many ways and the pandemic should have made us closer, but instead it's driving us apart and that's very sad. Susan, do you want to respond to that? We hoped the virus would improve China's image, but it's actually getting worse. Is it that the US wants to stigmatize China to make China look bad?

Susan A. Thornton: There are so many aspects to this that it was kind of like a perfect storm and I think the politics had a lot to do with it. If we hadn't already had a very negative US-China dynamic and if we didn't have Trump in office with this kind of mutual recrimination, things would be better. The real central issue was that Trump saw this pandemic as reversing his electoral fortunes that depended on a good US economy. It turns out that if he would have reacted differently to the pandemic and taken it seriously, showing himself to be a leader in a crisis and done a good job, I'm not sure if he would have won the election in 2020. So it's really for historians to look back and make sense of all of this, but the thing that we should not do is we should not view our performance in a domestic or global public health crisis in terms of whether we're going to look good or increase our influence. That's not how we worked together on Ebola. It's human nature to talk about where this disease started, but it is we've seen it in other disease outbreaks as well. We had the Middle East respiratory syndrome and the Zika virus all just within the last few years, so that's to tell you something about Ronnie's prediction about a pandemic. We've had a number of these serious disease outbreaks and we've worked very well on them together—until

now and this was the most serious one. Obviously, it was very easily transmitted, so it wreaked havoc with international travel, business and economies, affecting every single person in the world.

Right now, it is the biggest urgent priority for every single government and pretty much every single person in the entire planet and we'd never really have issues that fit into a category like that. It's the perfect issue for different governments to come together with the WHO and to solve it and instead we're doing vaccine diplomacy. Of course, at the beginning of the pandemic, people were caught without adequate supplies for protecting medical workers. That was the initial kind of competition that drove things in a negative direction. I would say also the fact that China instituted lockdowns, it gave the impression on the outside that it would be draconian, which probably prevented other countries from adopting lockdowns as quickly as they should have. It's unfortunate that there wasn't better collaboration and coordination, but the problem was nobody had a good idea of what was going on in the early days; we just didn't have any information, so in a way some of this is inevitable. But I do think now people deserve to have governments coming together and working together to try to beat this now. We know more. We don't have perfect information and I don't think any country should rest on their laurels at this point. Nobody should say we did well and you did badly – it's not over. We keep seeing reversals of fortune and I would not make it about as my country doing well as compared to other countries. Governments should be figuring out how to make people safe and work with other governments to help them make their people safe.

Henry Huiyao Wang: We need all governments to work together, I agree with you.

Ronnie C. Chan: Susan, I always try to be very sensible and reasonable. But unfortunately, there are a lot of people out there who are not like you and me – they're not sensible and not reasonable. One reason is that politics is everywhere, especially in electoral types of democracy, which has its own issues and problems just like any other system. For example, Biden is not doing a better job on the US-China relationship and it's because politics in the United States has already moved beyond that point. When people used to ask me whether it would make the relationship get better if Biden were to win, I said to myself they didn't know a hill of beans about what's really happening in society in America. It's beyond party politics and it's a perfect storm when you have a symptomatic virus at the same time the United States is forced into the Thucydides Trap. Frankly, I don't see a better relationship, even in dealing with pandemics, which is really the greatest human tragedy of the 21st century so far. If the United States were to back off and deal with only the pandemic and begin to cooperate, it would be a lot better, but I am not hopeful. Frankly, I really have a problem with your title—New Realities of US-China Relations in an Interwoven World—this is for sure a new reality, but not so interwoven. I think globalization has already run its course in some ways. The pandemic of Covid-19 reminds of us how interwoven we are,

and yet right at this juncture the world is being bifurcated—so the new reality is not interwoven world and the interwoven world is not the new reality.

Optimism and Pessimism in US-China Relations

Henry Huiyao Wang: It looks like we're probably in a broken world, but let's move on. Susan, you worked in the State Department for many years and are an experienced and seasoned diplomat. The Biden demonstration has already been in office for over six months now and a week ago we were surprised by a meeting of Sino-US senior diplomats in Alaska. US Deputy Secretary of State Wendy Sherman visited Tianjin, which is very close to Beijing. We've also had meetings different parts of the world far, but this time the US came very close to Beijing to meet with Minister Wang and Vice Minister Xie. So how do you view the last six months under the Biden administration compared to the Trump administration in terms of US-China relations?

Susan A. Thornton: I left when things really started to get bad—so I can't be held responsible for the last couple of years of the Trump administration.

Henry Huiyao Wang: That's why I was asking. Can you give us some insight into this since we don't have anyone at the state level who knows both sides to talk about the deputy secretary's visit?

Susan A. Thornton: I think Ronnie's very pessimistic by saying that the US has chosen to fall into the Thucydides Trap. It's not much of a plan and I don't think it's that purposeful. I think there's still a lot of uncertainty and chaos in the Biden administration as they inherited lot of things from the Trump administration that are still being sorted out, obviously. They're trying to focus a lot on domestic issues and foreign policy is definitely second fiddle. I think the Biden administration is trying to not have problems on the foreign policy front, but it's fair to say that moving from the Trump administration's very toxic and negative narration on China to something more constructive is not going to happen overnight, just because of the psychology of the politics and the narratives in the media et cetera. You can see how it would take quite a bit of time and effort to strategize and figure out how to change that without giving people whiplash. The other thing is that Trump's narrative on China is useful for galvanizing.

I just published a chapter in a book called *Engaging China*—the last 50 years of Sino-US relations and it involved writers and authors who were there at the beginning of US-China relations and reflected back on engagement. The chapter that I wrote with Ken Lieberthal at Brookings is about the transition between US political administrations and how US-China relations figures in that. It's very typical in recent US administrations that Presidents come in and are very hard on China during the political campaign and have all kinds of wild ideas about things about what they're going to do with respect to US-China relations. We saw this

under Reagan, believe it or not, we also saw it with Bill Clinton and George W Bush; maybe not quite so much with Obama, but it is a fairly typical thing to see this kind of adjustment take place within the first year of a US administration. Biden's been at this for six months and he's got a lot on his plate, but he knows the US-China relationship very well and I have to think especially after seeing his meeting with Putin and the way that he has spoken determinedly about having a meeting with President Xi, he sees himself as a leader in this relationship and wants to drive it in a direction that is going to be better—it's just going to take more time and the couple meetings that we've had so far are not enough.

China is certainly venting anger at what's transpired over the last couple of years, but this isn't quite fair, because China did not vent anger during the Trump Administration in the way that it's doing now with Biden. It's actually the Trump administration that started all of this and did it in a very chaotic way. China was so worried about Trump's chaos that it didn't dare say anything. With all of this anger built up over the last several years, they're sort of unloading on him because they know it's a more familiar and reliable relationship and Biden is a more reasonable person and a more level-headed leader. I think it would be good if China could sort of just keep it low key for a little bit longer, then hold a meeting of the two leaders. We have to recognize too that Covid is playing a big part in poor communication because it's very hard to meet. It was very hard to set up the meetings in Tianjin and Anchorage, and it's very hard to get our two Presidents together face to face in person in the same room right now. I think we need to take a deep breath and maybe be a little bit more patient. I know China is not fully understanding all of the statements and things that the US is making, and I think that it's right for China to question that in private and maybe even in public, but to do it in a way that leaves open some space for us to move this in a more low key gradual off-ramp direction.

Ronnie C. Chan: Susan, I have a slightly different take than what you have just said. In your chapter with Ken, you talked about the different administrations, but from the Chinese perspective, it's the United States of America. Whether it is this President or that President, it is still the United States of America. America is so strong that everybody has to play along with American politics, so you react differently when there is a new administration. But from the Chinese perspective, they were really bending backwards during the Trump administration, not just because Trump was crazy, but also because of other factors in US-China relations, trying to build and restore the relationship, but they failed because Trump didn't want any part of it. They were hoping that Biden would be a little bit better, but he wasn't. As I said, some of us never believed that Biden would be better because the whole body politic in America has already been poisoned. Since Biden wasn't any better, as they'd hoped, China felt this was very consistent, regardless of what Susan and Ken have said about the changing of administration. This administration is going in the wrong direction as far as China was concerned, which has made them tougher and tougher. There are two people fighting on the stage right now. In the past, China was the adult, unlike

Trump and United States, but now I'm afraid that there's no adult on the stage anymore and that's where I begin to worry.

But let's take another look back, because what is changing today is the culmination of a 30-year relationship. In 1990 when the Soviet Union fell, the United States began to see China in a very different light. As I told Henry Kissinger, what he did in 1972 was very good in some places, but the motivation behind it was the presence of the Soviet Union, so it's not a strong enough reason now that the Soviet Union is no longer a problem. Most of us didn't foresee the collapse of the Soviet Union in the early 1990s and the rationale for having a better relationship disappeared and that relationship has been waning for 30 years. This isn't really about Trump and Biden. We should look at the last 30 years where this relationship was on the downswing. During the Korean War, the relationship dropped off a cliff and when Nixon went to China, the relationship went to heaven overnight. But from roughly 1990 onward, the relationship has been gradually trending down, so what Trump did is just to kick it into hell. The whole body politic in America has been so poisoned and they say China is a threat, but to whom? China is not a threat to the world, but China may be a threat to American supremacy in certain areas. As in any society, 95% of the population doesn't really understand these things or think about these things, so if the President says that China is bad, then China is bad. How many people really know enough to think through the issues? This is a very sad situation and I never thought that I would see the day when the US-China relationship would get so bad and I don't foresee it getting better anytime soon whether it is the Democrats or the Republicans in charge.

Susan A. Thornton: You mentioned the last 30 years, which exactly coincides with my time in the State Department. I joined in 1991, the year that the Soviet Union collapsed. I agree with your fundamental observation that we really never had a "come to Jesus moment" after the collapse of the Soviet Union. But I think we never had that moment inside the United States, either, to figure out what the US was going to be doing in the world after the collapse of the Soviet Union. You said the attitude was about US supremacy, but there was really no debate inside the United States. Then Francis Fukuyama's book about the end of history came out and everyone just assumed that everything would fall into place now and just go on. We were preoccupied with Europe and lots of other things, like the Balkans, and then we moved into the Great War on Terror. We never really sat down to think about the purpose of our place in the world.

It also coincided with rapid globalization. The 1990s was a decade of globalization and we probably hit peak globalization around 2008 before the financial crisis, but we never updated the institutions, we never actually sat around and fundamentally thought about how globalization changes the international discourse and the way countries are going to operate together. The UN Charter is not enough to serve us in a globalized world. We have to have rules and institutions around trans-border and transnational phenomena, but our systems don't fit together, so how are we going to do that – we've never really

had that conversation in my view. So now China says the US made all those rules and we don't want them, whereas the US says well China is trying to dump all the rules and impose its system on everyone. That's not a productive way of looking at the situation.

Ronnie C. Chan: I totally agree with you Susan. You and I are probably in the camp of wanting the world to be a more peaceful one and for the US-China relationship develop in a better way, but we did not really have an intellectual discussion nationwide in the United States along that line. At the same time, you had people such as Donald Rumsfeld, such as Paul Wolfowitz and the Vice President Dick Cheney—the neo-cons who began to move briskly during that time. I think that the globalization of the world after the fall of Soviet Union blunted their advance somewhat, but then eventually they took the center stage. Ten or fifteen years ago I would never have imagined Biden taking the position that he does today with China, which tells you how that the whole political apparatus in America and the media are really influencing society and moving in the wrong direction. It is like an aircraft carrier that cannot turn easily and that's what I'm afraid that we're looking at.

Henry Huiyao Wang: This year marks 50 years since Dr. Kissinger's secret visit to China and we just had a webinar about twenty days ago celebrating his historic visit. It's also been 20 years since China joined the WTO and 40 years since the end of the Cold War, right around the time Susan started her diplomatic career. I think the visit by Deputy Secretary of State Sherman to Tianjin was better than the Alaska round since both sides came up with some concrete lists that enable us to see how we can resolve those differences. China has proposed some ideas on how we can really do away with the controversy that China doesn't want, while the US has its own list. Covid isn't helping, but ultimately we need more frequent visits by senior diplomats and by heads of state, even if it's at G20 meetings if possible. Right after the Tianjin meeting, China's new ambassador arrived in Washington, so I hope this will be the start of some concrete discussion.

Yesterday, Steve Orlins from the National Committee on US-China Relations, wrote a piece in the South China Morning Post titled "How the US can craft a bold and positive China agenda that benefits all Americans". Basically, he said, let's revisit tariffs, revisit the curbs on Chinese people and Chinese companies and the media, engage constructively on human rights and international norms, fine-tune the Taiwan policy and ditch confrontation. The US should not understate the benefit of constructive engagement to the American people. It was a very good op-ed and he made a lot of recommendations such as relaxing the visa requirements and student visits. Maybe we should follow up with more concrete things, such as rescinding the tariffs. Susan maybe you could give some more insights on that?

Susan A. Thornton: I wasn't so happy that a list of demands for the US was publicized, because I think that makes it politically harder in the US to do those

things, not easier. In US-China relations it's good to keep some of those issues for closed-door meetings and I hope that it won't entrench the two sides, making them wait for the other side to make the first move. I'm afraid that might be where we are now and I worry about that. We need somebody to do something that's bold and shows leadership to try to get this thing unstuck. It makes me hopeful that both sides mentioned areas for potential cooperation—climate change has been one that has been mentioned frequently. It's going to be very hard, but it would be inexcusable and a historical shame if we don't do it. There are other issues like Afghanistan, North Korea and Myanmar that were also mentioned. So there are a number of areas where we can hopefully cooperate. We're still doing joint negotiations, with Iran and I hope that it becomes more fruitful in the future than it is right now, but we have to do these things together. I hope we can work towards something pragmatic after these meetings.

But there are a lot of politics swirling around in Washington as Ronnie has pointed out and there's a lot of things happening in Beijing. Domestic politics are really creating a lot of problems for both sides right now and I think we do need to see some bold leadership in both capitals to try to get through this impasse. I don't know how realistic that is, maybe Ronnie has a view on how realistic it is in Beijing, but it's difficult in Washington right now. Biden's trying to get big spending bills through and it's a difficult political environment for him. But I do think he wants to get the relationship with China in a better place by just knowing him and knowing his experience with China even though he sounds tough. He is tough, but I think he's worried.

Ronnie, you talked about who's threatening whom and who's doing what to whom. In the region, China's military buildup is causing concern and that causes demand signals for US involvement. After Trump, the US is feeling an over-exaggerated need to reassure people in the region that the US is going to be there in the face of their insecurity coming from China's military buildup. But the real problem is the economy. Americans and Joe Biden feel that it's really not clear what shape the international economy will take and what the place of the US and China will be. International businesses are feeling this, as are developed countries in general, who rely on innovation and technology to be their engines of growth. And it's causing a lot of anxiety and here is a really feeling that there's an economic threat coming from China, but the fact that we can't make China understand why we feel this way is a real problem.

Ronnie C. Chan: Many years ago I had a dear friend at a party who wanted a divorce and she didn't want to let people know. But, once in a great while, I got an inkling that maybe she didn't want this relationship to continue. She played along, they went out to dinner, they took care of their family and their children, but in her heart she was already divorced. That's what I'm afraid is happening today—that party politicians in the United States have decided that the US-China relationship is going to be a threat to vital American interests, and so we're going to get a divorce. But, on the surface, you can't say it too loudly, so the Chinese have been trying their best to keep up appearances throughout the Trump era and

into the Biden one.

In Hawaii, they met with Pompeo, and that didn't go too well. Then the Chinese went to the US twice, which shows you how desperate the Chinese are to improve the relationship. I'm sure Biden insisted that it had to be on American soil with the first one in Hawaii under Trump and now in Alaska under Biden. In diplomacy these kinds of things matter and the Chinese bent over backwards to go to American soil twice. The Chinese, in particular, perhaps are a little more sensitive than most in terms of protocol, but what they got was Blinken, which was almost as bad as Pompeo as far as China was concerned, which is why they reacted. This shows that China wanted to have a better relationship, but maybe that was the straw that broke the camel's back, assuming that Biden doesn't want it either and it's not going to change. So then the Chinese react. You say China is building up its military, but this is a reaction to what the United States has been doing. If you stop going down the middle of the Taiwan Strait or stop spying along the coast, see if the Chinese continue to build up their military. The seventh fleet sent an aircraft carrier to the Taiwan Strait in 1996 and has continued for the last two and a half decades, increasing the US military presence in the neighborhood. Of course, America has a good excuse, "it is for our allies", but China has not done anything to America's allies in Asia for a long time—even Taiwan, which as far as I'm concerned is part of China. Beijing hasn't had a problem since 1957 or 1958, but America has become more provocative and China has no choice but to react. So don't say the Chinese military buildup is dangerous. It's the same thing with the South China Sea. I think that we are already way beyond that point and the United States is like that lady friend of mine from decades ago who wanted a divorce. You just can't say it out loud yet for whatever reason but it's really bad news as far as I'm concerned.

Henry Huiyao Wang: The US and China are certainly going through a tough time, but I hope it'll get better in the long run. Recently, CCG has had a number of dialogues with people like Graham Allison, Joseph Nye, Martin Wolf, Thomas Friedman and so on. We also talked with John Thornton and quite a few others. I think they all disagree that we should have a great Cold War and feel that the US and China are going through an adjustment period. Joseph Nye said by 2035, we might be able to repair the relationship and get back to some kind of normalcy. Susan, I know that you worked in the US consulate general in Chengdu, which was unfortunately shut down, followed by the US shutting down the Chinese consulate in Houston. What positive news do you have about the US and China relationship? Do you have any further advice on that?

Susan A. Thornton: I've heard quite a few people say that it's going to take quite a long time for the US-China relationship to get back on track and we're going to go through a cycle of maybe 10 years of a downturn. But I really think that we cannot afford to have that happen. Because if we have this divorce that Ronnie's talking about or even a divorce without the formality of divorce, but just basically a bifurcation or separation, it's going to impact the international system.

We have got globalization, so we need an international system, but I'm not really convinced that we're going to be able to get along in a globalized world. We've passed peak globalization—I agree with Ronnie about that. But there are certain elements of globalization that are not going to turn back and those still need to be governed by some kind of international discourse and system that goes beyond just the UN Charter. Transnational law enforcement cases are extremely difficult for governments to work on together, particularly the US and Chinese governments. It has always been difficult, but it's impossible right now. But are we just going to let transnational criminals run rampant because the US and China can't talk to each other? We need to have institutions that can generate consensus among countries and try to fit our systems together.

China talking about how interference in internal affairs, prohibited by the UN Charter, is a real problem in our relationship and we have to have an honest conversation about it. All countries interfere in other countries' internal affairs. We have embassies in those countries and they're always monitoring what's going on and lobbying the governments. We're trying to influence each other constantly and in a globalized world this is just a fact of life. We've got to figure out what the real problem is and ask questions like what are the rules by which we can regulate this? How can we fit our systems together more seamlessly on both the economic front as the first and second largest economies in the world? There are also other areas where we have overlapping transnational boundary issues—migration, crime, cyber, space, pandemics, health, transportation, mobility, people movement back and forth—none of this is going to stop just because US and China aren't getting along. Even when we had major estrangement between the US and the Soviet Union, we still had people flows and some trade back and forth. I want to repeat again that China is not the Soviet Union, and it should not try to be the Soviet Union. That would be a huge mistake for both China and the world. Certainly, it wouldn't be good for the US and China relations. I wonder Ronnie if you have a comment on that.

Ronnie C. Chan: Well, Susan, let me try to be a Trumpist for a second. China is worse than the Soviet Union. The Soviet Union was only a military threat. It wasn't an economic competitor, whereas today, China is an economic competitor, but America wants to turn it into a military threat as well. It is a very sad situation that partly because of America's concoction that portrays China as a comprehensive competitor or even enemy of the United States, which is very sad. If you want an enemy in the international community, you can have one very easily, and that's exactly what Trump has done and what Paul Wolfowitz and Dick Cheney started 30 years ago. I would be happy to bet that the US-China relationship can get back on its feet in the next ten years. I agree with you that the international system cannot afford to have the two of the biggest economies fight like that.

What I really worry about is that the United States has not been smart in diplomacy over the last 30 or 40 years. It's forcing itself back to some form of isolationism. After all, America was founded on isolationism, not

internationalism. The role that America played in the Post World War II era did the world a lot of good, but once the Soviet Union fell, the restraints were gone. The US Congress did a study that showed before the fall of the Soviet Union, America had 1.1 military actions every year for the previous 170 years and then after that it was 6.1 times per year. In terms of interference, no country had the ability to interfere like the United States did and when you are as powerful as the United States, the way you interfere has more of an impact. Some friends of mine want to have a conference in Japan to study whether America is a reliable partner, but you just have to call Merkel or Macron, whose phones were tapped. It takes a lot of self-enlightenment to have power and not use it, but I worry that America has not been doing this for the last 30 years and it's even worse because there's no more restraint.

In some ways, America is forcing itself back into isolationism, but you cannot completely disconnect from the world. China was hoping for a long time that the United States would remain the leader of the world and China is very happy to play second fiddle to the United States, but the United States feels threatened that China may replace it. So what can you do? China is on the rise economically, but America is boxing it in from Japan in the East, India in the Southwest, others in the West, and Vietnam in the South. If you put yourself in China's shoes, you've been boxed in by the number one country in the world, but you have to survive. You could be like small countries and bow to the United States, but China has 1.4 billion people and there's no way it is going to do that. The United States is feeling threatened, but it's unnecessary. It's bad news when the United States loses confidence. It should not lose self-confidence and should be able to work well with China. I think on China's side and China can still play second fiddle to the United States. It's going to be a lot tougher after the last couple of years of Trump and now Biden, but I think it's still doable.

Improving Global Governance Bit by Bit

Henry Huiyao Wang: Both of you are pointing out some very significant points. After the Second World War, a US-led global governance system pushed the world toward prosperity and we have avoided the catastrophe of a Third World War. But the system definitely needs an upgrade and I think China can probably help on that. I just read something that Susan wrote that "the only realistic path forward for the United States and China is to co-evolve through cooperation and competition into a just and sustainable order". You also said "China's active participation in international structure is now crucial to the development of the rest of the world. Its contribution will be key to making progress to the greatest challenges we face, which will continue to be transnational in nature. The US and China's co-evolution in a globalized international system is the only realistic and productive path forward". It seems we have a lot of downturn on the global level with organizations like the WTO and other international systems, but on the regional level it is actually coming together now with RCEP and ASEAN, which

China works with, as well as Japan, Korea, Australia and New Zealand. This includes CPTPP, which is being led by Japan and Australia, but was designed by the US. Susan, what do you think of the global governance system? How can we really make a push toward globalization 2.0 or 3.0? The US, China, and EU should really work together as major economies and maybe a G10 could include China and Russia. In addition, how can the UN be enhanced? China is already the second largest donor to the UN and the largest contributor to the peacekeeping force within the Security Council members. What are your thoughts on this and how we can improve the global governance in light of recent changes that we are facing right now?

Susan A. Thornton: You've been present for some of the discussions we've had in this forum starting on the back of the Global Solutions Summit around the G20, called the China-West Dialogue, which is really more about how to make sure that China is included in all of these global conversations because what I see and what I worry about is China is sort of leaning out of the international system and starting a parallel track on its own. It's frustrated with the international system and unable to get its voice heard, which means it's not participating as robustly as other countries. The Europeans are probably the most robust participators in the international system because they're the real rule drivers in the system, more than the US or China actually. But we need China to be in the conversation and be participating actively in driving in consensus building. I think there's been a feeling, at least among the people that participated in those meetings, that they don't have enough Chinese participation and that China is a bit reticent still on the global stage. I've seen a big change over the last 20 years in this space, but I think more is needed.

I think the G20 is a very important platform. It's been around for a while, but it really got going after the financial crisis of 2008 and 2009. It's a big organization with 20 countries, but it is a good flexible format where you can get different combinations of these countries and you can have guests. Meanwhile, it's not as huge as the UN with 190 countries, which can become a little bit unwieldy. I think one question is how to make these institutions that we have more action oriented, specific and productive. Some of the annual meetings and forums we have are more for galvanizing conversation and generating consensus, but they move slowly. We need an organization that can move a little bit more quickly and I think the G20 can be that if it had a little bit more structure, directionality and support. I hope it can become more of a leading organization.

Of course, there's the OECD on the economic front, while the World Bank and the IMF will continue to be important in addition to development organizations and development banks. There are just a lot of organizations at this point and I think trying to get them to cohere you really need the leadership, which could come from the G20 or something like that. I'm all for regional trade agreements, but frankly, the global trading system is a global system and the WTO has to serve its purpose. Every country is involved and is a member of this global trading system, which means that generating consensus and reform is difficult.

The system has got to work and China's got to help us get that system to work frankly. A big part of this is how we can fit China's unique economic model together with the economic models of others and what kind of changes can be made on both sides to make it fair. How do we make countries feel like they are able to compete and participate on a level playing field in that arena? I think we have a lot of work to do there.

Henry Huiyao Wang: I think the WTO is very important, and we hope that we can get around on that.

Ronnie C. Chan: I agree with Susan that the G20 should be a key venue for the discussion of a lot of issues in the world. But China as a new player to it has to feel that it is not totally American driven and dominated. A few years ago now, during the G7 days, there was a year or two that they invited Russia and I thought to myself—Russia is a lovely country with beautiful music and literature, but economically it's not a global player except in energy. You didn't invite China, but you invited Russia, which was obviously a message to the Chinese that you are out and we don't like you. Communication is not what you say, it's what the other person hears. But in this case, I believe it was a deliberate message. China has been watching these things for the last 20–30 years and as China rises economically, they see the West increasingly boxing them in. I don't like the idea of China and the West in an adversarial position and then there was the “Pivot to Asia” under Obama days. Who are you targeting?

All these things are really forcing China to rethink its position in the world. Now, the Indo-Pacific is another subject and from the American perspective it's really an encirclement of China, which puts China in a very uncomfortable position. I don't think China would create a parallel international system. It's not strong enough and doesn't have the desire. But if America is retreating from global leadership, we're looking at a fragmented world and there's going to be no leader. A lot of Americans assume that China will take over if America were to retreat, but I don't think so. China doesn't have the wherewithal to do it—it's very expensive. China should be a responsible player in the international scene, but responsible according to whose rules? The Chinese say it's all Western rules, which you can't change. China was happy to accept this as long it wasn't boxed in. The world is in a very bad situation and I believe that it really began when America lost self-confidence and decided that China was a threat to its own vital interest. I'd to reiterate that China is not a threat to American vital interests—it's a threat to America's sole leadership. China is very happy to work with America as a co-equal publicly, but privately, play second fiddle. I hope that China can be convinced to still work with the United States.

Henry Huiyao Wang: The Chinese government has said many times that China doesn't want to replace the US and wants to work with the US on international governance issues. One final question from me is what can we work on together? John Kerry came to Shanghai in March and President Xi attended President

Biden's Earth Day Summit on climate change, which is actually a good sign that we have many things to work on. Susan also mentioned issues like North Korea, Iran, Myanmar and even Afghanistan. Among the many issues we could work on, the pandemic is probably the most urgent one, but at the recent 7th CCG Annual Forum, former Vice Minister of Commerce, Chen Jian, say that maybe we could work with the US on infrastructure projects. Biden has already reached a bipartisan consensus on investing in infrastructure, not only in the US, but also the rest of world. Infrastructure could be the next biggest driver for the global economy. Could we work together in that area? Maybe with the B3W and the Blue Dot Network can work together with the BRI and the Asia-Europe Connectivity Portal. If we think about global infrastructure, maybe we'll have something big to work on in the future that glues every country onto the new global system. We could even probably upgrade AIIB to GIIB with US participation—a Global Infrastructure Investment Bank. That is something we need to really work on as a common objective.

Susan A. Thornton: I think that would be a very logical place for us to put our efforts and in fact, we've had these kinds of joint projects in the past. I remember smart cities was an area where the US and China worked very closely together. We had local officials from states and provinces in China trying to learn from each other about how to use technology to better manage and serve populations in cities and I think that could continue to be very important. Energy, technology and deployment has been a huge area of joint cooperation between the US and China in the past. We've unfortunately come to competition over infrastructure and who's going to get influence in another country by building a project. I don't think that it should be that kind of a competition. I know under the Obama administration, there was an effort to work in Africa together. China had a lot of projects in Africa and we were doing a lot of power projects in Africa, figuring out how to make them work together. I do think it is hard for us to work together because we have a different way of doing things and in infrastructure projects there are cultural and commercial differences. But these are not as clear-cut as a pandemic, which is a public health emergency. It should be pretty easy and apolitical to work on development projects in third countries in my opinion, if you can figure out how the comparative advantages line up. But we need the political will, which isn't there right now.

Henry Huiyao Wang: The US has been running the World Bank for many years and now China has the AIIB. I imagine it might be possible for development banks to work together. In a recent webinar, John Thornton said that at one time China and the US were actually talking about collaborating on the BRI, and John Kerry told me the same thing at the Munich Security Conference last year. On climate, China is already quite advanced on that in terms of clean vehicles, solar energy and wind power, which means we could work with the US on this aspect of infrastructure. In a recent video conference with President Marcon and Angela Merkel, President Xi was talking about working in Africa. We should get the US

working on that together so that we have something common to work together, rather than being divided.

Susan A. Thornton: One of the things I worry about is that the focus on Covid-19 is now taking up a lot of oxygen that should have been devoted to climate change, which could be the next tragedy of the commons that we all face. It's very hard to do two big things like that at once. This is why I say co-evolution is the only way forward.

Henry Huiyao Wang: I agree completely. We need to have a plan for the future or at least something to hope for. We're so preoccupied with the Thucydides Trap, but we should really think about the good things we can work together on—climate change, infrastructure and particularly the pandemic, which is the most urgent issue we need to work on together.

Ronnie C. Chan: I think anything that is too involved in politics and international policy is very difficult. I think the pandemic is really where we should all begin and then the environment. Climate change is number two on my list of the eight terrible things that can happen to mankind. I hope the White House and the State Department can be convinced not to be too politically driven and just solve issues and practical problems. This would make the world a much better place.

There are many other issues out there like international standards and many of these problems are ones that only the two biggest countries can solve. I'm really saddened by today's political environment, but I see hope with John Kerry's efforts on the climate and the willingness of Democrats to work on environment more than Republicans. That said, I think America overall is behind and I couldn't believe how many Americans do not believe in climate change. America has to step up in this regard. China knows that their rapid development over the last 30 has terribly damaged their own environment and of course the wider environment, because we all share the same planet. China is very serious about dealing with the environment and if the United States showed stronger interest, the two parties may be able to work together. However, America is ganging up and encircling China, which is not useful. How much can Australia help? Or even India or Japan? Optically, this is very damaging to the leadership in Beijing and will limit cooperation.

Henry Huiyao Wang: We've had a very good discussion so far, and I think we all agree that the US and China should really work together. One of the most urgent issues in fighting the pandemic is vaccine recognition. People cannot travel without mutual recognition of vaccines, which creates a mobility issue. If we're going to coexist with this virus for a long time to come, how can we restore international travel while also containing the virus? Students, like those who come to Schwarzman College, haven't been able to come to China for the whole year and have already graduated already without being on campus a single

day. Chinese students can't go to the United States either. Worldwide recognition of vaccines that have been recognized by WHO would be a great thing for international travel.

We have received a few questions from the media. Let me bring those up for the final round of our discussion.

The first question is from China Daily about the US administration pushing the "lab leak" hypothesis while turning a deaf ear to requests for a Fort Detrick probe. What's your take on this?

Another question is from Guancha News. The United States has used its economic and financial power to dominate the global economic order and placed sanctions against many countries and enterprises. At present, the United States is still imposing sanctions on officials in Iran, on Huawei and even Hong Kong. Many enterprises have to comply with these rules and cut off exchanges with relevant entities. Since last year, China has implemented a series of countermeasures and formulated laws and regulations, such as the Anti-foreign Sanctions Law, Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures, Provisions on the List of Unreliable Entities. There seem to be direct conflicts between the laws and regulations of China and those of the United States in some areas, making it very difficult to abide by the laws of both sides at the same time. What should companies do? Can the WTO and other multilateral mechanisms play a role in such a situation?

One last question is from Beijing News. The eve of the Chinese Lunar New Year, President Xi Jinping had a phone conversation with President Biden, which was followed by a high-level talk in Alaska and a visit by Deputy Secretary of State Wendy Sherman to the Chinese port city of Tianjin. How would you comment on the exchanges between China and the United States? What are your prospects for cooperation between China and the United States?

Susan A. Thornton: On the issue of the pandemic. I've been pretty clear and pretty strong in my clarion call for better cooperation between the US and China to face the ongoing pandemic and mitigate the damage in our own countries, but also to help other governments face up to the problems that they have and get vaccines out throughout the world. Nobody is going to be safe in either one of our countries until everybody gets vaccinated, and we can't let our country shut down. We have to restore mobility, so in order to do that, we have to get everyone vaccinated, and we'll probably need booster shots every year so there's going to be a lot of vaccine production and we should be focused on cooperation on how to get that done.

On the question about what enterprises should do, this gets to the issue of how we need rules in the international system to govern this commercial space that has come about under globalization, which is a fantastic thing for promoting global prosperity. We need to repair the WTO. We need to get together and agree on rules of how our systems are going to fit together, which countries' courts should be able to decide disputes or how dispute resolution is going to work in all these cases. We can't keep having these anti-suit injunctions. And then you have

an anti-anti-suit injunction and competing court processes. This is not the way we should be moving and I think it is really difficult for companies right now. It's going to continue to be difficult until we can get some repair work done on this relationship.

On the exchanges at the official level between the US and China, I want to say that the relations between our governments are not always going to be very good, and in recent years, of course, they've not been good at all. But it doesn't mean that the relationship on the non-governmental level has to be hostage to that official relationship. There's a lot that goes on day today between the United States and China in business, in culture, in academics, in education, and in exchanges and all kinds of other areas that need to be continued and expanded. And I really hope that CCG can have some kind of a youth summit, so we can get younger voices in on this conversation because those are the people that are going to be affected by this relationship that Ronnie predicts is going to be bad for the next ten years. This affects the lives of young people in both our countries, which is a significant portion of the global population, and they should be in on the conversation to try to understand what's happening and so that we can hear their voices on how they think about it too.

Ronnie C. Chan: I'm with you Susan that we have to have a rule-based society, but when you have one country who is so big that it can write its own laws such as "I sanction you", is that rule based? I don't know. I really worry about the sanctioning of businesses, as well as counter sanctioning, as you rightly pointed out. So let's have a rule-based society, but without a situation where one country is so big that it can totally reject the rules and yet still give the perception that it is righteous. If you look at history, America has probably broken more international rules than any other country. It comes back to a very fundamental point, which is that Asia has been waning for the last 200 years, while the West was rising. Then after World War II, the United States became the undisputed leader of the world and it has done a lot of good, but if it is not self-enlightened and maintains a superiority complex, a big country like China, cannot rise economically, because if it does, it would disrupt the international system. But the world has changed. You cannot deny the fact that 1.4 billion people have gone from \$1,000 per capita income to \$10,000. The West has to gradually adjust to a world that is fairer and other people from a different race are rising. Japan shocked America 40 or 50 years ago, but they were small with only 120 million people, while China is ten times bigger. I think the West has to adjust intellectually, culturally and mentally to a different world. If not, then I do worry that ten years might be too short to expect any positive change.

Henry Huiyao Wang: I think we've had a very fruitful, stimulating and productive dialogue. That's exactly what CCG likes to do – to promote dialogue and understanding and to really explore the points on both sides. The situation between China and the US in the 21st century has changed and we have to work together for the sake of the humanity. With the US as the world's largest economy

and China being the second largest, we have a moral responsibility to the 7.5 billion people in the world to increase communication, dialogue and high-level visits, student exchanges, tourism as well as culture and reopen our consulates. I really appreciate both of you for your participation.

Quo Vadis—at a Crossroads in US-China relations

A Dialogue with Anthony Saich

Henry Huiyao Wang, Anthony Saich, and Ye Tian

China-US relations have entered a new stage of uncertainty and the future direction of this relationship is a topic of hot debate. The direction of relations between China and the United States will ultimately affect the direction of the world as a whole, which begs the question – where are we going?

In the following dialogue, CCG President Dr. Henry Huiyao Wang, Professor Anthony Saich and the moderator discussed competition and cooperation between China and the United States in fields such as geopolitics, technology, economics, culture, the pandemic and climate, taking the pulse of China-US relations at this stage.



Henry Huiyao Wang in dialogue with Anthony Saich and Ye Tian

Professor Saich is Faculty Chair of the China Program at Harvard Kennedy School and Director of the Ash Center for Democratic Governance and Innovation and Daewoo Professor of International Affairs, teaching courses with a focus on China. Professor Saich first visited China as a student in 1976 and continues to visit each year. As a leading sinologist, Professor Saich also advises

a wide range of government, private, and nonprofit organizations on their work in China and elsewhere in Asia. Dr. Wang was a Senior Fellow at Harvard Kennedy School and co-authored *The Path of Public Management Elite at Harvard* (CITIC, 2013), a book on Harvard's public management education.

Ye Tian is a Mason Fellow of Harvard Kennedy School.

A New Cold War Era?

Ye Tian: It's my honor to moderate the US-China relations panel discussion, which is also the closing session of the China Social and Economic Symposium organized by the China Society at the Harvard Kennedy School. Today, we are very fortunate to have two top scholars in this field to analyze trends in China-US relations and discuss the competition and cooperation between the two countries in the areas of diplomacy, geopolitics, economy, technology and climate change. It's probably fair to say that US-China relations have reached an all-time low since the two countries re-established diplomatic relations in 1979. It seems that confrontation now outweighs cooperation on many fronts. In 2019, in his speech at the US Council on Foreign Relations, FBI Director Christopher Wray labeled China as a threat, and he called on the United States to respond with a whole-of-society approach. Professor Saich and Dr. Wang, do you think this is a sign of a potential Cold War? What are your views on the future of China-US diplomacy?

Anthony Saich: Well, I don't think it would be a Cold War in the sense of what the United States experienced with the former Soviet Union. And I think the Biden administration wants to act in a way that does see China as a strategic competitor but finds ways to prevent that sliding into a Cold War, the quite simple reason being that while people might talk about confronting China in an all-round way, the two societies and economies are intertwined and embedded in very deep ways. If one looks at the financial sector, trade, or investment, you can see that an all-out confrontation in the sense of a Cold War is impossible.

Remember that even at the height of the Cold War with the Soviet Union, Washington and Moscow still found ways to cooperate in important areas and global challenges. I think that is one thing that we should always keep in mind as we think about this relationship as bad as it is at the current time. There are pending global challenges, which really need cooperation between countries like China, United States and indeed others to resolve problems and challenges around global public goods.

So, yes, the relationship is very confrontational at the moment. But I think one has to accept the reality from Washington's point of view, that China exists, it's not going away anytime soon, and that actions in Washington will not change domestic behavior in China and nor will actions in Beijing change domestic behavior in the United States. And with that as a basis, I think we have to build platforms about where it's legitimate to have competition; what are the areas

of conflict (many are around territorial issues) and how do you build guardrails to stop those sliding into a dangerous area and where one might look for competition?

Henry Huiyao Wang: I agree with what Professor Saich has just said and it's not a coincidence that Professor Saich and I share quite a few similar views. I've had dialogues with Graham Allison, with Joseph Nye and now Tony, all very famous Harvard professors and none of them think a Cold War is a good analogy for Sino-US relations. Graham Allison said it's impossible to have a Cold War and wouldn't be acceptable in the contemporary world, which is so internationally intertwined, particularly in the case of China and the US. I talked with Joseph Nye just two nights ago and he really thinks talking about a Cold War is not the right way to put it, because today is very different from the times of the Soviet Union and we shouldn't push for that because we are already very interconnected. Graham Allison said we're like conjoined twins—we can't survive without each other.

Tony is a famous professor and I've known him for many years. He's made great contributions to Sino-US relations and exchanges and cooperation in training activities, pioneering trainings for high-level officials. He knows China well.

I noticed that in Biden's recent speech to the US Congress, he said he does not seek confrontation. If so, I hope we can have some kind of Olympic spirit that promotes healthy, peaceful competition. But we should also seek more collaboration. The Climate Summit that just happened last week was a good example where leaders sat down to discuss issues virtually, which is a good way to go into the future. I'm glad that Harvard professors have this kind of consensus as well—no Cold War.

Anthony Saich: I agree that there has to be competition, but that doesn't mean there isn't enough space for both countries to develop. Without going into detail, it's quite clear that we have different values. There are many things that Americans find objectionable about Chinese practices. And of course, there are many things that people in Beijing find problematic with American behavior and those things have been made very clear. I think the one thing that China has realized better than America is that future competition is about geoeconomics rather than a Cold War, which also included very strong military components. But I think where China has been moving ahead and Washington's been slow to catch up is with its outbound projects like the Belt and Road, which is gaining traction in the economy. I think one of the challenges for America is that you begin to see an emerging Asia, which increasingly has China at the core, because of its trade and investment, where America has been left somewhat behind. But do you still have remnants of that strength in security in Asia, which still has America at the core. We still have a very strong band of alliances that China really doesn't possess. While the previous administration may have let those alliances wilt, I think it's clear that the Biden administration sees part of its strategy as reviving

those alliances. My hope would be that it wouldn't just be reviving them as a military alliances, but it would also extend to better economic development in cooperation.

Henry Huiyao Wang: That's exactly what we should work on. China is seeking economic collaboration in the region. It joined RCEP last November and now it's trying to join the CPTPP. ASEAN is already China's largest trading partner despite, as you said, relying more on the US geopolitically. I really hope that as time goes on, as ASEAN and the Asia Pacific region will become bigger markets and China will be seen as a major contributor, or even maybe a stabilizing force, making things less political and focusing more on economics rather than strategic or military goals.

Anthony Saich: I do think it was a major error for the United States to disengage from the TPP process, because it would have kept the United States in a strong role in the Asia region. I can see the arguments why it didn't and it's also debatable whether the Biden administration would go back into that particular agreement, given that Hillary Clinton also ran against it in 2016. But, as you begin to suggest, it does set a challenge for many countries in Asia, most of which pre-pandemic did not want to be put in a position where they had to choose between China and the United States; or at least, they did not want to be pushed to choose publicly to make a choice. And those pressures are not going away at the present time.

The Impact of China-US Competition

Ye Tian: For Asia-based corporations, one central question about the long-term strategy of competition between US and China is which country has more influence in the Pacific region? Since President Obama proposed his "Pivot to Asia" strategy, the conflict between China and the US in this region has intensified. In your opinion, what is the nature of these conflicts? Is it possible for China and the US to achieve their respective strategic goals in this region peacefully?

Henry Huiyao Wang: Over the last several decades, China has been growing quite rapidly, especially economically. ASEAN has already become China's largest trading partner, while there are a lot of Chinese companies doing business in India, including Xiaomi, which in three or four years had become the largest mobile phone provider in the Indian market. So, I see enormous potential for economic cooperation. However, China does have the disadvantage of having 14 neighboring countries, while the US basically has only friendly neighbors—Canada, and Mexico - on either side. That said, I think China is doing OK and trying to create a "10+1" or "10+3" model, seeking cooperation with ASEAN as well as Japan and Korea on free trade. I think what has happened in the last few

years has driven the creation of negative sentiment, dominated by the US. Of course, sometimes China's public also responds very strongly, which has caused some concern in neighboring countries.

But I think in the long-run, China will always be a peaceful country since it has never been a colonial power. One hundred years before Columbus discovered America, Zheng He led seven expeditions as far as Africa or South Asia, but never stayed there. In its philosophy and culture, China has always been a peaceful, neutral, middle-ground kind of country. I think in the future this will continue, but if the US creates strategic alliances like the Quad that are against China or even brings NATO to the Indo-Pacific region, it may result in a self-fulfilling prophecy. We should be more rational on how we approach things. On the whole, I think China wants to work with other countries, including its neighbors, and China is in a good position as countries want to sort things among themselves without foreign interference.

Anthony Saich: I think Obama was more of a pirouette rather than a pivot as he didn't really fully turn to Asia. I agree with Huiyao that China has not taken other areas or other countries over militarily, it hasn't had that kind of colonial expansionism, but I think it's important to understand Washington's perspective, on which we can disagree or agree. Washington has seen more aggressive approaches from China, particularly over the last eight or nine years and from Washington's perspective, what really began to solidify this shift in view was back in 2012, when China decided to occupy the Scarborough Shoals, which is also claimed by the Philippines, and even though China had signed on to the Law of the Sea, it rejected those findings. I think that gave an impression in Washington that China was beginning to engage in more aggressive actions in maritime areas. I think it also created concerns among some Southeast Asian nations about China's intentions, so I agree with much of what Huiyao said, but if you look at it from Washington's perspective, it looks a little different.

Of course, we also know there are very significant differences of opinion about Beijing's actions in recent years in Hong Kong. What is seen is also more intimidating behavior towards Taiwan. It depends on where you sit and the way you see these things. I think for the US, it gives a different picture and one can understand why it's called Wolf Warrior Diplomacy - the more aggressive defensive Chinese actions - it doesn't play well globally for the most part. I think if you look at a lot of opinion polls in different countries, this has created concern and, in some cases, declining popularity and I think it's something that China is going to have to adjust over time. China is now a global power and it has to behave like a global power, which means that behavior that could be taken to be seen as threatening will not go down too well. Falling back on the 100 years of humiliation is not what you want to hear from a major global power moving forward, so I think both capitals need to adjust their rhetoric and behavior.

Henry Huiyao Wang: The one of the disadvantages China has is that 90% of the international major media outlets are in English and America also plays a

predominant role in creating those narratives, so China has a lot of catching up to do in terms of trying to explain itself better, but people will see the outcome eventually. China hasn't really caused any major conflict in neighboring countries in recent history. The problem is that the US has frequently been sending aircraft and ships to the South China Sea and Taiwan, which is where I think China has also felt threatened. After all, China hasn't sent any people to the Caribbean or conducted military exercises there. But I do agree both countries and both capitals need more dialogue and communication to better sort out misunderstandings and let people in those regions sort them out as well.

Anthony Saich: I agree. I think it depends on where you sit and the way you see it and obviously Washington interprets those things differently. But if I were sitting in Beijing and looked out, I would think this gets pretty close to containment in terms of alliances that are being built around me.

One comment on the media—it's true that much are English, but I think one of the things that the propaganda authorities in Beijing need to understand that the kind of language and the kinds of approaches that go down well in China don't go down so well in English-speaking communities. What is seen is more of a kind of threatening language, which turns people off. Now, it may play well in the domestic nationalist sentiment, but I don't think it plays very well internationally.

Sending the Right Message

Henry Huiyao Wang: Whether it's domestic or international messaging, I think we need a new narrative. It is also true that Western media has a long history of ideological bias in terms of China, but I think we can work on that.

I read Tony's July 2020 article titled "Understanding CCP Resilience—Surveying Chinese Public Opinion Through Time", which is a great paper that looks at public opinion in China from 2003. The ideological differences are partly because China has had a centralized form of government for 5,000 years. Big projects in such a big country need a strong government, let alone governing 1.4 billion people, which is the largest population in the world. The CPC has lifted 800 million people out of poverty and has been doing well in transforming its infrastructure, fighting corruption and combating other issues.

Your paper documents all those changes and the general mass acceptance of the CPC, which has earned it legitimacy by constantly responding to the economic needs of society, which is great. I think what we need now is a better message and a better understanding of China by the world rather than this Wolf Warrior behavior that you mentioned.

Anthony Saich: I think there are a couple of things worth saying about this article. One thing is that what the surveys found was that, contrary to what many people outside of China thought, the groups whose satisfaction increased the

most were the poorer rural and the poorer urban communities, and particularly those in the hinterland of China rather than the Eastern coastal areas. Now that's not to say that satisfaction didn't increase in the East, or with richer populations. But what it says to me is that the leadership in Beijing have understood that they had a problem with those who have not benefited so well from reforms in the past and really, since Hu Jintao and Wen Jiabao, the investments in social infrastructure have actually been popular with many Chinese citizens, whether it's the restoration of the medical insurance scheme, whether it's the expansion of "dibao" or other activities. That does seem to enhance satisfaction. So, in a way that kind of dismisses one of the ideas that is been around that maybe there's a social volcano of discontent related to developments in China.

I do think, as I said earlier, that Beijing's behavior is going to be decided by what happens in China. I don't think anyone can deny that its economic growth has been spectacular. People coming out of poverty has been extraordinary. I think we can argue is what really led to this outcome. Was it state activity? Or was it simply letting Chinese entrepreneurial habits come to the fore?

But the real challenges are, can China get to the next step of its development? It really has been extraordinary. One can be critical about a whole range of things, including myself, but you also have to acknowledge that some of that progress has been extraordinary and unexpected. However, the real challenge that lies ahead is transitioning from an upper-middle income country to a real high-income country. Some of the institutions that served China well in the past may not be so effective moving forward. And I think this is something that's ignored in Washington, where it tends to be a straight-line projection that states if China developed in this way, it'll keep developing. How do we deal with that and what might the threat be coming from that? Personally, I think China is going to be much more absorbed over the next five to ten years dealing with domestic challenges, which is also going to limit its capacity to extend its power externally. Some people have already raised the question of whether China is in a phase of overreach. Has it tried too much too quickly globally? I actually have some sympathy for that view.

Henry Huiyao Wang: Thank you Tony. I really admire you for conducting this survey and research, which you began in 2003. It is one of the few in-depth field studies on this area on China. It's very impressive. You also frequently visit China and have been in charge of Harvard's program for training Chinese officials.

Today, people who come to China, and even people living in China, are a bit surprised that China's 1.4 billion people are covered with basic medical services and 1 billion people have a basic "social security" package as well. Of course, China also provides nine years of compulsory education and has a billion smart-phone users. I think the livelihood of the people has improved enormously and this can be attributed to government efforts and market reform.

I would always say China is a hybrid. The market is 60–70% private enterprise and then you have another 10–15% which are multinationals and another 10–

15% that are SOEs. That probably provides the right balance to drive economic growth, but there's also bigger government coordination with one five-year plan after another. Now President Biden is pushing for a little bit more government, including more intervention and more coordination. You're right on your observations of this phenomenon in China, but I think that's where there's a lack of research in the West, so I hope there will be more professors and academics like you that do more research like this on China, which China can also learn a lot from.

China still has a lot of challenges and we have to ask how we can sustain this kind of growth. Almost 60% of China's energy relies on coal and reaching carbon neutrality by 2060 is a huge challenge. China's population growth is slowing and society is aging at the same time. There are a variety of challenges that China is facing and we really have to find a way to move forward. There could be synergies, though, with advanced technology like high-speed trains and smart phones, which have greatly improved efficiency. I would say that we have a stable international environment, and we don't want to jeopardize that. China is still trying to maintain growth with its signature five-year plans as well as its 2035 mid-term objective.

Maintaining Collaboration and Communication

Anthony Saich: Collaborative research is important for enhancing understanding and also progress. Harvard has had very good collaboration for 25 or 30 years, precisely around questions of air pollution, climate and so forth, which has progressed significantly over that period of time with colleagues through Tsinghua and I do hope that those kinds of collaborations can continue.

However, to be honest, it's getting much more difficult to do field research or work in the social sciences than it was a few years ago. I can see why perhaps Chinese authorities don't want foreigners mucking around in those areas, but it also entails a backlash and less hospitable and less favorable views of China amongst academics.

It also occurred to me that politicians tend to go to Beijing, Shanghai, Shenzhen, or Guangzhou. If I only went to those cities, I would come back terrified about China's development—it's just staggering. But if I started going to rural Guangxi or Yunnan, or maybe to some of the mountains in Sichuan, I'd come back with a different perspective of China. China's domestic challenges are complex and are going to entail considerable attention from the Chinese leadership. It's not that the whole of China is now full of glittering skyscrapers like Shanghai or Shenzhen and I think it would help foreigners get a more sophisticated and perhaps more all-round perspective of what China has done and the challenges that still face China moving forward.

Henry Huiyao Wang: I agree that we need more international academic and student exchanges and more people like you to conduct more studies in China.

I was also quite disappointed in recent years that there seems a freeze on academic exchanges and that the number of American students and tourists in China is dropping. I really hope now that China can be made more friendly for international visitors, including academics and students. If this happens, people will come back from China with a different view and a more complete picture of China. It's important that we maintain dialogue and this openness. I also hope that university programs can be kept open and that multiple-entry visas for both countries remain to let people come back freely. I'm glad to hear that from August 1st, American universities have started to accept international students and I hope the same thing will happen in China as well.

Ye Tian: We've noticed a very interesting change that might happen in the diplomatic relations between the two countries. It has been reported by Wall Street Journal that Professor Burns at the Harvard Kennedy School might be appointed as the new US Ambassador to China. Professor Burns is well-known for being a tough negotiator and also a strong advocate for containment of China by actively calling for alliances with countries including Japan, Australia and the European Union. He would be very different from the previous ambassadors to China in terms of background and expertise. So, the question is, if Professor Burns is officially appointed, what kind of impact will it have on the diplomatic relations between the two countries?

Anthony Saich: Of course, I have no idea whether he will be appointed, so I can't speak from that perspective. I think one of the things you have to remember about Nick is that he's a long-term-career diplomat. When he came to the Harvard Kennedy School, I think he was the highest-ranking person within the State Department who was not a political employee. So that means he's well gifted in the craft of diplomacy. He knows how to approach and argue. When you're an ambassador, though, you're not going to behave differently than your government is telling you to behave, so Nick Burns is not going to behave in a way which is out-of-step with the Biden administration.

However, Nick has strong experience of working with China on certain issues, around Iran and also on the question of the Korean Peninsula and the Six-Party Talks. He's often commented that China actually played a very constructive role in the Six-Party Talks, so I don't think it shuts out the possibility for creative dialogues. But he knows the diplomatic scene well and many of the other countries in Asia, as well as China. I'm sure he's going to draw on those connections to promote what the Biden administration sees as being in the best interest of the United States, so I don't think that him being appointed as ambassador would lead to any significant difference from where the Biden administration has taken its approach, which we talked about earlier.

Henry Huiyao Wang: I do feel that President Biden has appointed more competent and professional, seasoned staff. He's also emphasized balance, gender equality, and he's picking experienced diplomats, or ex-officials. When it

comes to Nick, I think his government experience and working at Harvard, the top university in the world, which has a long tradition of exchange with China and has many Chinese students, which means that he probably is well aware of all those issues, challenges and opportunities. But we definitely need a strong and capable US ambassador to create the right channels for communications back to the US so that Sino-US relations can be stabilized.

Anthony Saich: I think what Huiyao said at the end there is the most important. What you want from your ambassador is someone who can pick up the phone and talk to the president if there is an important issue, or if there's information to be fed back. I don't know whether Mr. Burns has that capability, but I do know he has worked closely with President Biden and with think tanks, and groups thinking about foreign policy. So, he clearly has a deep connectivity to those who are now working in the administration on East Asian affairs, for example. But as I said at the beginning, I have zero idea about whether he will, or will not be appointed, but I just want to reemphasize the point I made that whoever gets there should be able to pick up the phone and talk to the president, directly.

Leveling the Playing Field in Economics and Trade

Ye Tian: Thank you both. As a student in Professor Burns' class, I respect him and his expertise. I also wish him great success if he gets appointed, and I really hope he can bring his diplomatic wisdom to China to restore the US-China relationship.

Now, let's move to the economic side. The China-US trade war that began in 2018 has already caused tremendous damage to both countries. So, the question is, under the Biden administration, will the economic decoupling between the two countries be eased, or will it be the opposite? Will there be even more fierce conflicts over the economic issues, like tariffs, exchange rates or argument about state-owned enterprises or IP issues? What are your views on these issues?

Anthony Saich: First, on the trade war, it's clear in statements that have been made that they're not going to lift the tariffs yet, which were imposed by the Trump administration. Personally, I find that a little bizarre because there is no real evidence that shows they've been beneficial to the US economy, and they may have even been detrimental to the US economy. So why do you want to keep a policy in place that is actually detrimental to your own country? I don't really understand that. I do understand, in a political sense, that the Biden administration does not want to be seen as being weak and I think they would be attacked if they lifted those tariffs.

There are two very important points about trade, though. The first is the idea that it's somehow a zero-sum game is, of course, nonsense. And secondly, related to that, if you look at the trade deficit, it doesn't reflect the true situation of the economic interaction between the countries. Many years ago, Larry Lau, the

economist, calculated what he called “the value added” into trade. And if you calculate that in, the trade deficit drops by between a third and a half. 3.4% of the value of the Apple iPhone stays with China, yet it sells for \$240, so \$240 gets booked in the trade figures, but that’s not the reality of what China is actually making from that. It also ignores the fact that US companies sell over \$200 billion worth of goods in China. So, this is a much more complex picture than is being painted, and someone really needs to get a grip on this. In trade, China has been more dependent on exports to America than the other way around, although US exports have increased significantly. There are a couple of areas for the US consumer which could be problematic: 80–90% laptops in America come from China, as do iPhones. So, it needs to be looked at really carefully. The bigger question of decoupling again goes back to some of the points Huiyao and I have raised before, which is that there is such an inter-linkage that complete decoupling is impossible, which is not to say that it won’t increase in certain areas.

Also, remember it wasn’t President Trump that necessarily started decoupling—China banned Facebook, Google and Twitter, which is a pretty clear example of decoupling. So, you know, there’s fault on both sides and I think it depends on where you look. I think trade will decrease and I think China is looking for other markets so it’s not so over-dependent on the US or on the European Union. But the financial sector, for example, is \$5 trillion worth of business and China really needs access to global financial markets, so it’s very heavily in China’s interest to stay engaged in that sphere, and I think Beijing is being quite clever in indicating to Wall Street that it’s going to be willing to make it easier for financial institutions to operate in China, possibly driving a wedge between Wall Street and Washington.

Financial decoupling is much more difficult to imagine, but FDI from both sides is probably going to decline. Most Chinese FDI into the US today has not really been strategic. It’s been one-off trophy projects, which is very different from US investment into China, which is part of global production and supply chains, and a much more strategic. But because of things around the un-level playing field in the US business community sense, China’s own policy—Made in China 2025—is probably going to reduce those levels and Washington’s actions to restrict Chinese investment and collaborations in certain areas is also going to put up barriers to Chinese investment. So, it’s not going to decouple completely, but I think we will see shifts in certain areas with competition in some areas and continuation in areas that are just mutually beneficial.

Henry Huiyao Wang: I agree with Tony. I think that decoupling is not really the option. We’re living in the 21st century and since China opened up, about 50,000 US companies have set up operations in China, generating \$700 billion in revenue. As Tony rightly said, Apple iPhones are made in China, so in the international market there’s a global value chain, in which China has played a platform role in making the design or providing value-added chips, so the fear of decoupling is causing the international shortage of chips now because

everybody is worried about a future tech war. A lot of automakers have also stopped manufacturing because they don't have the chips they need. That's really absurd. It's also going to seriously damage US business. GM, Ford and European automakers sell more cars in China than their own countries and China is Apple's second largest market. I don't think this kind of decoupling is really sustainable. Now China is continuing to open up with 21 free trade zones and is expected to be the largest financial market. China has completely opened up. Even though President Biden still talks about China's technology and IPR protection, China now applies for more patents than US companies. China also wants to join CPTPP, which was designed by the US with higher requirements in terms of IPR standards, SOE reform, environmental protection, data and labor rights. China is not afraid of change, including WTO reform. I really hope that we come back to this kind of platform and negotiate to establish good examples for the rest of the world as trade has benefited all countries. In an article, Tony mentioned that the trade from US to China has gone up 500% since China joined the WTO—that's five times - and China's GDP has gone up 10 times since it joined WTO. This has been good for both countries and for the world. I really hope we can follow economic rationality and move away from geopolitical issues, which I think will damage both countries in the long run.

Anthony Saich: I think one of my colleagues, Bill Overholt, made a very valid point. From the perspective of the US, there are many things we can be critical of in terms of China's behavior. But we should be critical of the right things, not the wrong things, and I think what is happening at the moment is everything's getting piled in as if everything is wrong. As you correctly said, Huiyao, and again this is a point Bill Overholt made, China saved GM. GM might have well gone under without the China market. But there is an underlying issue where I think people in Washington, and now the business community, feel China may be making progress, but it is not moving quickly enough. Yes, China is more open than our allies, like Japan and South Korea, in terms of business practices and engagement, but the real significant difference is that China is not the economy of 2000 when it joined the WTO. In those days one could let a lot of practices and a lot of things slide, but now when you fast forward to 2021, where China is such a huge economy, can it really still operate on the principles under which it joined the WTO and that give it some elements of developing country status and some elements of developed country status? I think if progress can be made in those areas, that would smooth the relationship enormously. Because otherwise we're going to continually see these criticisms like there's an un-level playing field, foreign businesses are not well treated, there's too much stealing of property rights and intellectual property so on, and so forth. And that's something I think both capitals really need to work on.

Building Trust through Engagement

Ye Tian: One thing tied closely to the economic conflict is technology competition between the two countries. Especially in recent years, the US has strengthened its blockade against the rise of China's technology, from partnership between companies to academic cooperation between universities. Dr. Wang and Professor Saich, the question is, are there better ways to kind of alleviate US concerns about the rise of China's technological power or do you think this kind of blockade and suppression will continue, including limitations on Chinese students going to the United States to study STEM courses?

Henry Huiyao Wang: I really hope rationality will come back. Former Secretary John Kerry has visited China, senior officials have met twice in the last 100 days, and China is really working positively to help facilitate dialogue. I think we should really keep academic and student exchanges going. It's vital and serves American interests too. It's also true that around 80% of the PhDs in the STEM field remain in the US and make a big contribution there. For example, IT companies in Silicon Valley are 20% to 30% Asian and most of that group are from China. I think continuing academic exchange is in the interest of both the US and China and tech decoupling is not really a possibility. China has experienced restrictions in the past, like in the 1960s when the Soviet Union withdrew everything they had from China, but China managed to develop its own satellites and other technologies. Decoupling may affect China's figures, but China will still come up, because it's the largest application market. In the long run, we really need to work together, which is also in the American interest. Otherwise, America will suffer. I have noticed that the US is trying to correct some of their problems. For example, 40–43% of wealth is concentrated in the top 1% on Wall Street and President Biden is trying to tax the rich. The US should address domestic issues rather than using China as a scapegoat. Also as Anthony said, technology itself may steal jobs, not just China. We need to have the right perspective and while I'm sure there will be competition, let's have peaceful competition.

Anthony Saich: I think there needs to be clear protocols agreed between the two countries in the technological space and also in research, but I do want to stress one thing again—China did start by blocking companies like Facebook, Twitter and Google, stopping access by technology companies to a major market. This is not just necessarily Washington's actions even though they've been more prevalent recently. On the question of STEM and STEM research, I'm not a specialist in that area, so I can't really speak clearly, but I think from Washington's perspective, what you really need is good national security advice. I have no idea what it is potentially dangerous research from the perspective of national interest, but I'm sure the same applies in Beijing. The authorities on both sides need to be clear about where a national interest might be infringed on by

allowing not just Chinese students, but students from other countries, to engage in research in those areas and universities should be guided by that.

Beyond that, I agree 100% with Huiyao that the more collaboration, the better. At the Ash Center, we have up to about 30 fellows from China every year. We've always found it incredibly beneficial, particularly when young PhD students have come for a year to work on public policy issues and public administration issues. I've always seen that as immense value. So, I think in the current atmosphere, it's not surprising there is caution. But we don't want that caution to tip over to paranoia and we want to try and ensure that the kinds of exchanges are beneficial on both sides. However, I'm sure both sides have national security concerns, which are going to restrict interactions in certain areas and that is quite appropriate. It applies to all countries.

Henry Huiyao Wang: I think the best way to really build up trust is through academic, student, tourism and cultural exchange. Tony, you have played a role on bridging the gap, we need to strengthen that. I think you're probably right that maybe we should let Google, Facebook and Twitter come in, but the US could also relax its policy on Huawei, Alibaba and others. It would be great if we could see that happen.

Ye Tian: One promising area of collaboration between the two countries is climate change. You both mentioned that the climate envoy, John Kerry, visited China early this month, making him the first official representative from the Biden Administration to visit China. He has already conveyed the intention to cooperate on climate change issues. However, many scholars are still worried that the potential cooperation would be affected by the overall Sino-US relationship. Can you quickly comment on this? What are your views on the climate change cooperation?

Anthony Saich: It's always been one of the obvious areas for potential collaboration. It falls into collaboration on new public goods where the existing norms and institutions are not settled. And I think those are areas where China and the US and other countries can collaborate—areas of global commons like climate change, global engagement with natural disasters, global regulation for some of these tech and other areas we've talked about. I thought what Kerry said was interesting, that he felt this was so important that it should be divorced from other contentious areas such as views on Hong Kong, Xinjiang and Taiwan in trying to mark out terrain for collaboration. Whether that's politically acceptable in Washington, I think we're going to have to watch and see.

Henry Huiyao Wang: Absolutely I think he's doing the right thing. I'm quite impressed with former Secretary John Kerry, now the special envoy for climate. I met him last year February at the Munich Security Conference and he came to a CCG roundtable where he gave a great speech. He talked about ideas similar to what Anthony mentioned. I really think that, given the current inactive segment,

President Biden has really done something; he's stopped using ethnic language to refer to the Covid-19 virus, but China and the US need some time to build up trust. Let's do this through cooperation on climate change, which would be a great area for the world's two largest countries. The next area would be the pandemic since it's an international crisis and we propose that the US and China should work together on that and solve the humanitarian crisis. And finally, is infrastructure, Biden proposed \$2.3 trillion for US infrastructure and China now probably has all the technology for infrastructure, so the two countries can work together. I think trust is really the most important thing and combating issues like climate change could build some trust. We need more of this kind of dialogue.

Ye Tian: Indeed, these issues are important for the two countries to find ways to work together for our planet and also for future generations. This panel discussion is coming to an end, but allow me to express our sincere appreciation on behalf of the China Society at the Harvard Kennedy School to Professor Saich and Dr. Wang for bringing us a very profound conversation on very complex issues.

Part II Managing Global Economic Uncertainties

The Overall Outlook

In examining the challenges and changes that the world currently faces, as well as the potential lessons and paths forward, it is obligatory to make certain predictions about what potential outcomes there could be in the future. Generally, the overall outlook for the near-term is one of guarded optimism.

In the face of continued and increasingly intense competition in both the economic and security spheres, talk of productive competition has gained ground, proposing that instead of being a barrier to development and cooperation, competition could actually have productive outcomes that reach the same goals as overt cooperation. The impact of technology on globalization and integration is an important factor in ensuring that reasonable and fair competition can be a catalyst for development.

The main reason for this is that the world has become so integrated and intertwined over recent decades of globalization that de-coupling as a response to competition is no longer a viable option. Despite worries among Western companies about the potential risks to supply lines due to cross-border conflicts that result in sanctions or tariffs as a part of conservative fiscal policy, that result in moves to de-risk other options must be explored in order to ensure that globalization continues to function and fulfill its integral role in the global economy.

The main takeaway for the foreseeable future is an era of “new protectionism” in which individual economies and companies work to minimize risks in global trade that may result from crises similar to those we have seen in recent decades, whether they be financial, military or global health issues. If managed well, reasonable levels of protectionism could even bring increased confidence to global trade to a new era of continued globalization.

The Outlook for Globalization: Productive Competition as an Alternative to Cooperation

A Dialogue with Barry Buzan

Henry Huiyao Wang and Barry Buzan

In a world that is increasingly competitive, cooperation has become more difficult, creating barriers to globalization. However, where cooperation is not possible, perhaps a constructive form of competition can drive benefits for countries and the overall advancement of globalization as a global trend. This is possible most applicable in the relationship between the United States and China, which are currently economic rivals, but also at the same time inextricably linked through business.

In this dialogue CCG President Henry Huiyao Wang and Professor Barry Buzan cover topics such as the role of technology in globalization as well as the complexities of transitioning from a unipolar to a truly multipolar. At the end of the dialogue, Professor Debin Liu and Professor Denis Simon join the discussion and raise questions that highlighting cooperation between countries on common issues like climate change and AI, as well as globalization as a temporary aberration in light of nationalistic movements around the world.



Henry Huiyao Wang in dialogue with Barry Buzan at CCG's Beijing office

Barry Buzan is Emeritus Professor of International Relations at the London School of Economics. He is also honorary professor at Copenhagen, Jilin, and China Foreign Affairs University; a Senior Fellow at LSE Ideas; and a Fellow of the British Academy. He took his first degree at the University of British Columbia, and his doctorate at the London School of Economics. He has written, co-authored or edited over twenty-five books, written or co-authored nearly one hundred and fifty articles and chapters, and lectured, broadcast or presented papers in over twenty countries.

Debin Liu is the Founding Dean of the School of International and Public Affairs at Jilin University. He is also the director of Institute of International Studies of Jilin University, Vice President of China National Association for International Studies (CNAIS), Vice President of China National Association for Modern and Contemporary History Studies, panel judge of the National Social Science Fund of China, editorial board member of *Historiography Quarterly* and *Journal of International Security Studies*, etc.

Denis Simon is Chairman of the Alliance of Global Talent Organizations, Advisor to the Global Young Leaders Dialogue (GYLD), and former Executive Vice Chancellor of Duke Kunshan University.

Realism vs Liberalism

Henry Huiyao Wang: Globalization has been on a fast track. Under the Bretton Woods system, Asia took off in the 1970s and China after that. But what has been seen now is actually the escalating of geopolitical tension and the intensification of big power competition. When I was talking to Graham Allison about two months ago, he was also thinking of how we can avoid the Thucydides Trap. Joseph Nye was also telling me that we may be at the lowest point in China-US relations, but hopefully we can get out of that. Maybe we can reach a new equilibrium in another 10 or 15 years' time. But right now, we are locked in this phase of competition. As US Secretary Blinken put it, we'll be in a competitive mode for a very long time.

But I agree with you that we are in the middle of a shift from a pure market economy to a more dynamic, more complicated, war situation now with little emphasize on economic globalization, which I think presents an enormous danger to all of us. However, we also aren't focused enough on human security, particularly climate and the environment—the common threats that mankind faces. You highlighted the shift from economic to environmental concerns as the defining aspect of current globalization in your talk, and you've emphasized a social approach in international relations, how do you think of this shift impacts both broadly and in specific terms? What would be the next really big outcome of this shift?

Barry Buzan: I certainly agree that the language of world politics has shifted

into a geopolitical language, and it seems to me that is one extremely good indicator of a second cold war. When people start to talk in geopolitics then you're in a cold war. But when you use a phrase like "locked into competition", that also raises alarm bells for me.

I am not a fan of realist thinking about competition because realism is a self-fulfilling prophecy. The more people who believe what the realists say, the truer what they say will be because they say conflict is inevitable. If you believe conflict is inevitable, then it becomes inevitable because you believe that and so does everybody else and their behavior goes that way. I think one has to be extremely skeptical when listening to realists who make that kind of argument and say conflict is inevitable and there's no way out. There is always a way out. It just requires a different kind of politics and a different kind of mindset.

The realists may actually be right most of the time, but they are not right in principle. By arguing the way they do, they close the door to any other possibility. So, if you believe the realists, then there's nothing to discuss here. It's just going to get worse and there will be more and more conflict and climate change will play into that conflict. It will divide people, add to the reasons why they fear each other, are suspicious of each other, and play against each other in these kinds of power games. You can take that point of view if you want to. It's a very easy, in some ways, and quite a comfortable point of view. It just happens to be wrong. I will start from that position and I need to be clear about that.

The realist position is now having a moment in history, because, as I mentioned, liberalism is in a degree of crisis and liberalism has been the main counter to realism for the last century and a half. So, the decline of liberalism puts a burden on those of us who want to encourage globalization in a positive way. This means as mankind, we think like a species and behave like a species when we are confronted with a common problem. Liberalism has been the vehicle for that, but liberalism is now in some disarray.

I think the point I was trying to suggest about climate change was that this might be something which can be built upon. It's a new factor in the game and it puts us all in the same boat. None of us can fix it by ourselves, but we will all bear the consequences of it if it isn't fixed. Therefore, it's a very big collective action problem that doesn't require you to be a liberal. It just requires you to recognize that you're in the same boat as everybody else, and that the boat is sinking, and that something needs to be done about that.

It seems to me if one is looking for the space for political action, it's the interplay between what is being said about climate change, but there is at least some good political potential there for what might be done. Now you ask me what comes next, and well, in all honesty, I can only say: "I don't know" because climate scientists don't know what comes next either. So, I have a very strange vision of optimism here which is to say that what we actually need is for climate change to get steadily worse because the other alternative is that climate change gets suddenly worse. If it gets suddenly worse, it may take us outside our capacity to do anything. If we're lucky, it will get steadily worse, and that will pressure us into doing more and more collectively. That's the best I can say.

The Impact of Technology on Globalization

Henry Huiyao Wang: Some people actually suggest that competition is a theme that puts an overemphasis on competition and not enough on cooperation. The US has made China a strategic rival, while the EU has made China a systematic rival. If that is the case, as you said, it could be a self-fulfilling prophecy that China becomes a rival, which is really not a good thing for the world.

As you said, the world is already in a second Cold War now. It's probably already happening, just as we've finished the war on Covid with about 5 million people losing their lives. We haven't really drawn lessons on that. We did not collaborate. I totally agree with you that the thing that can glue us together is this climate threat. We need to build up this new form of climate globalization, as you suggest, to find common ground so that we can work together. This is probably the low hanging fruit that can really bring mankind together. We are really talking too much about national security, which is driving up military budgets and escalating the situation. This will be really a self-fulfilling prophecy making us more competitive and confrontational. That's something we want to avoid.

The next topic I'd like to ask you about is AI. Artificial intelligence is so uncertain. It's something new. The US and China are both doing this and a few weeks ago, we had the German and French ambassador come to CCG for a dialogue on EU-China collaboration on how to avoid the risk associated with AI. A few days ago, the Chinese representative at the UN proposed how countries could work together to harness the power of AI but void the risk, which was unanimously passed by in the UN General Assembly, including the US. So, in addition to the climate could AI, which is so unknown, be something that could bring us together? Human beings could become slaves to AI in the future if they're not careful. If AI can think independently, it could destroy mankind. Do you think there could be a kind of "AI globalization" happening that we don't realize?

Barry Buzan: I'm not sure that competition versus cooperation is exactly the right way to pose it in the sense that competition could work if it could be arranged that the great powers competed with each other to promote sustainable development and control of climate change. That would be a very effective way of doing things, perhaps more effective than trying to actually agree on cooperation. I'm not quite sure what would be necessary to make that work.

As far as I can see, China is a strange case here because in quite a few ways, its domestic environmental policy is really rather progressive: lots of nuclear power, and solar power, and all of that kind of stuff. So, domestically China is doing the right thing, but there doesn't seem to be any connection between that domestic policy and its international policy. It sides with the third world. So competition might be the way to go. It might be easier to do it that way.

The Covid example is an interesting one. I agree it's worth looking at because it's a demonstration of a collective action problem and how we did, but it seems

to me a mixed picture. In some ways, the whole Covid crisis pushed more for economic nationalism, because of the supply chain issue and people hoarding vaccines and protective equipment. Partly, we reacted badly and competed, but underneath that, there was actually quite a lot of cooperation going on, particularly in the scientific community, I think. It wasn't perfect, but substantial. The speed with which vaccines were rolled out was really rather astonishing if you think about it historically. Within a year or so, there were good vaccines available and they were being mass-produced, which is amazing that that kind of problem could be solved so quickly. Scientific collaboration, while not perfect, was a big part of that. So, it's a mixed picture with some good sides and some bad sides.

On AI, I think the one thing I'm absolutely sure about is that we are going to have a lot more of it very quickly and it is absolutely unstoppable. It's simply because so many very powerful factors support it. Militaries everywhere are absolutely keen because they know if they fall behind, they are lost, and that's a very standard situation. In military establishments, they've got to keep on the technological edge. Corporations are desperate for this because they think there's money to be made out of it. Scientists are very keen on it because there are careers and Nobel Prizes and all sorts of other things to be got out of it. The public is increasingly keen even though there's some negative associations with AI, but when you have your first encounter with ChatGPT, you go: "That's amazing!" So, people are enthusiastic about it because in many ways, it's an absolutely wonderful transformational technology.

So, many, many factors are pushing in favor of this, and it is inconceivable that it would be stopped. That will have good sides and bad sides as most things do. On the good side, it might help us with the climate change problem because it increases one's analytical capability hugely. You can see that already partly on the vaccine issue with the application of AI in searching for new kinds of drugs and new kinds of chemicals. That kind of search capability for scientific understanding is really enhanced by AI, and that's going to increase by leaps and bounds. So, this may be one of the things we absolutely need to solve the problem of climate change because it will enable us to analyze better the things we can and can't, and should and shouldn't do.

AI is also going to be part of the general militarization that's going on with the second Cold War. You don't need to be any kind of great expert to follow the literature on that. Just read the military analysis in *The Economist* and you can see exactly what's going on there, very quickly and very powerfully. That's a negative side, but I don't think we can do anything about that. The forces pushing that are too strong.

Another element is that AI is going to very much amplify surveillance societies, in which we all now live. It's done differently in different places. Here in China, the government does most of the surveillance. In the West, it's corporations that do most of the surveillance, but the government in the West can always get the information from the corporations if they want. So, the systems are different, but in some senses, wherever you are and whoever you

are, everything about you will be known and traceable. And this has all kinds of implications, social and political, which are bigger topics than we have time for here.

How and whether that might play into the climate change question is interesting, because if everybody's behavior is, in principle, public, that might become a useful factor in how climate change is addressed, how the behavior of the public is changed, controlled, or manipulated in whatever way to serve the goal of sustainable development. That's a very complicated question and I'm not exactly sure what it would look like, but it seems to me that's a very likely area where AI will play a big role.

Henry Huiyao Wang: You've mentioned quite a few good points, I think competition should probably put it in more constructive mode, which benefits cooperation as well.

One example might be the huge global deficit on infrastructure worldwide. China realized that and responded by implementing the Belt and Road Initiative to benefit Global South countries. China has already invested 1 trillion US dollars in about 3,000 projects across developing countries. Later, the US proposed Build Back Better World, an American style infrastructure project, and the EU put in place the EU Global Gateway, and India created the India-Middle East-Europe Economic Corridor. China's move made everyone realize that there's a big deficit in infrastructure and then they came up with their respective plans.

The key question is, can this plan be collaborative and cooperative? We have the World Bank; we have the Asian Infrastructure Investment Bank; we have the Asian Development Bank, African Development Bank, European Development Bank. Can they really work together? Can we have an Olympic-style cooperation?

Another example you talked about is the environment. We are facing environmental challenges now, but 10 to 15 years ago, Beijing was heavily polluted and foreigners said it was so polluted that they didn't want to come to Beijing. The US Embassy started to monitoring PM2.5 levels in Beijing and released the numbers on a daily basis. At first, China wasn't happy about it, but later on they accepted it and made a decision to change it. A decade ago, Beijing's pollution came from diesel and gas powered cars, but now, half of Beijing's cars are electric and China has become the leader in EVs, solar panels, and batteries. And Beijing got cleaner. This is the result of competition.

But at the same time, we're facing many tariffs with 100% tariffs from the US and 20% to 38% from the EU on Chinese EVs. This is even true for the climate, which is a common problem that we want to change. For example, the International Atomic Energy Agency predicted that if we were to follow the Paris Agreement on Climate Change, we would need to spend \$4.5 trillion on green spending annually, but we currently only spend \$1.8 trillion. The world needs 800 gigawatts of green power, but we only do a quarter of that. Sometimes politics prevents this kind of process and even if we want to have Olympic-style cooperation, politically, we can't.

How do you think we can solve this dilemma that we are facing? 20 years ago, China was blamed for not doing enough. Now, China has really made a big stride forward and is being accused of doing too much, creating oversupply or overcapacity. It's really in a difficult situation. How can we solve that and work together?

Barry Buzan: On the question of the BRI and its imitators, I have to say I don't know a lot about global financial infrastructure and how it relates to development. So I would put the question back to you: how committed are these organizations to sustainable development? When I'm looking at these kinds of questions, I'm always asking where's the scope for political action? What can we still do about it? Where do we still have meaningful choices about how to influence things? If these outfits are not fully committed to sustainable development, then they need to be pressured in that direction.

In terms of the case study of Beijing air quality, I'm one of the beneficiaries of this particular change. I remember the days of Beijing smog and all of that. I was born in London in 1946 when smog was an extremely serious problem in London and it actually played a big role in the life of my family. My family had to emigrate to get me out of London because the doctor said, "If you don't move, you will lose this child." I had good parents, so they moved and the rest of my life kind of followed from that. Air quality has been a big factor in my personal story and I've been to Beijing often enough to appreciate the change. It used to be you never saw blue sky in Beijing and you were lucky if you could see the building next door to you. So, there's a big change, I agree.

I also agree that the best way forward would be if China were allowed to export its green technology more or less freely regardless of whether other governments think that it's subsidized and trade is unfair because of the cheap loans Chinese companies get, which means nobody can compete with them because companies elsewhere don't get that kind of support. Even so, on free trade principle, the argument would be that if the Chinese want to sell these things at less than the cost of production, then we should buy them. You can bankrupt yourselves, saving the rest of us as it were, and that's fine because it's still good for us. We get the same thing cheaper.

If you're a pure economic liberal, you can think like that, but most politicians are a very long way from being pure economic liberals. They have to think about the security side of things and there's no question at all that the second Cold War has poisoned the atmosphere about this because a lot of this kind of trade has been weaponized to the extent that trade produces dependencies. We saw this in the Covid crisis.

The standard liberal argument about trade is that you don't have to worry about security because there are always lots of suppliers. If you don't produce this thing yourself, several other people will, and you can choose who to buy it from, and that's where your security lies. But in the case of China, which has monopolized a certain number of industries by subsidizing them, making it so nobody can compete with them, which means that there's only one supplier.

Think of Chinese relations with Australia, or Canada, or Norway, with whom China has tried to use trade dependency for political purposes. That tendency was there already.

Now that we're in a second Cold War, the whole security issue becomes politically much more prominent, and the security issue will always override trade logic. So basically, politicians now have to answer to populations who say we do not want Covid to happen again and we do not want to find ourselves in a crisis where we find a big country like the US unable to produce what we need because we're completely dependent on somebody we think is our enemy for the supply. That's not politically acceptable. So, the Cold War is poisoning the trade atmosphere and the logic is perfectly sound. I agree that in an ideal world, everybody should buy technology as quickly as they can since that would help green development faster than anything else, but it's not going to happen because the political environment that supports it has collapsed.

The Transition from a Unipolar to Multipolar World

Henry Huiyao Wang: Every year, whether it's COP27 or 26, or even 28, there are complaints that there's not enough financing to help developing countries fight climate change. If China can produce solar panels cost-effectively and cheaply, China is indirectly contributing to this money pool to fight climate change to help developing countries. The Cold War mentality is really preventing people from benefiting from each other. That said, 90% of China's airplanes are from Boeing and Airbus, but China didn't say that because they're produced in the US and the EU that there's oversupply or over capacity. China still buys a lot. This Cold War mentality doesn't really help. It's important for people in the academia and think tanks to think about how we can really get more focused on this and reduce tensions and mistrust between the major countries.

The developing world is getting really big, with a BRICS Summit coming soon and a new wave of globalization with countries wanting to join BRICS because they see the economic benefit. Maybe we are living in a more fragmented world now that is bidding farewell to a unipolar world while the multi-polar world system is not in place yet. So, how do you envision the future structure of globalization? With the unipolar world gone and a multipolar world yet to be formed, this could be a new Bretton Woods moment, especially with the UN sometimes being marginalized and ineffective. In this chaotic world, what's the way out? How China, the US, the EU, Global South countries, and middle powers can work together? Climate is certainly a common cause for all of us to work together and AI is another one. Maybe there could be more opportunities. We're also facing war now, which is getting us into a very dangerous situation. So, what's the way out?

Barry Buzan: I agree the aircraft market is also one-sided. I'm not quite sure whether that's to do with subsidies or whether it's just extremely difficult to

produce. Aircraft engines and landing gears are extremely difficult technologies to master, and only a few leading-edged countries have done that. China will get there, but it will take time.

Let me talk a little bit around your unipolar and multipolar world. I've never liked unipolar. The world was never unipolar, so, we can forget about unipolarity. These are both realist concepts. Basically, unipolarity says no balance of power and multipolarity implies that the competition amongst the great powers is to dominate the world because that's the way it used to be. But the situation we're in now is that nobody wants to run the world. Nobody wants to take responsibility for it. I actually believe the Chinese Foreign Ministry and the Publicity Department when they say they don't want to run the world. I think that's quite right. The Indians don't want to run the world; the Americans don't want to run the world and Trump is all about not running the world. Let the world run itself. The Europeans might like to run the world but can't. The Russians would definitely like to run the world, but nobody else would let them anywhere near such a job, and they don't have the capacity for it anyway. So, we're in a world where none of the old great powers and the new great powers want to run the world, and that's the problem.

The world we are leaving, the Western dominated world, was one in which globalization was defined a universalist way or a liberal way, because for a long time, modernization was equated with Westernization, which was a big problem for China, Japan, and other countries. It was always wrong. Japan modernized very successfully, but it certainly didn't become Western. I've been to Japan plenty of times, and I can tell you it is not a Western country. It's a modern country for sure, but it is absolutely not a Western country, and China is going down the same route. So, what we're going to get is a more and more universalized modernity spread more widely through the world, but with different interpretations and different understandings.

The liberal understanding, which has been the only understanding of modernity for a long time, is now giving way to a world that is modernizing without Westernizing, which was led by Japan a long time ago, though nobody recognized it. They adopted some Western elements but they didn't become Western. They didn't surrender their own culture. That will be increasingly the case and we will be in a world of diversified modernities which will have different kinds of societies and different kinds of politics attached to them.

So, the world that we're heading into is going to be a decentralized world compared to the one that we've been in. It will be decentralized in terms of wealth, power, and political and cultural authority, much, much more than it had been during the Western period when there was just one central power, wealth and culture.

We've never been in a world like that before ever. It's an entirely new thing. We've been in a world which had many different cultures and civilizations in it before, but then they weren't very closely connected with each other. China was quite remote from the Mediterranean cultures and the Americans even more so. Now we're in a world in which cultures are different, but they are increasingly

equal in terms of modernization and extremely interdependent economically, and also now in terms of climate change and planetary management.

It's a new world and whatever assumptions you make about it, you have to start from the idea that it's going to be a relatively decentralized political order, and the question will be whether that order can agree that it has some common problems which need to be dealt with together. It is not going to be aiming for a universal political order around liberalism. The Francis Fukuyama model is gone and this new model is something completely new. We have to try to work to find the way of respecting the differences and operating with the differences while also being able to cooperate when we need to for collective purposes.

Henry Huiyao Wang: I think a decentralized world is the right way to put it, but it seems there's decentralization into regionalism. There's The United States-Mexico-Canada Agreement, the European bloc, ASEAN, and the RCEP, and BRICS countries are becoming closer now. The key question is how can we peacefully cooperate as we we're decentralizing?

We're having a great conversation, but I'd also like to invite our honored guests and some of the journalists present to raise questions and share their observations and comments.

Regional Shifts Impacting Globalization

Debin Liu: I think if we ask people to give one keyword to put right the international issues now associated with globalization, you'll find a lot of problems, questions and issues that you want to know. But first, I would like to ask Barry a question. What are your views on the election in Britain? You just came from London and on the way to Beijing, the conservatives were still in power. When you head back, the politics will have totally changed. Britain is one of the leading powers in the Western world, so what kind of change could take place in the coming years in terms of the relationship between Britain and the EU, Britain and the United States, Britain and China, and in terms of globalization?

Konrad Adenauer Foundation: Mr. Buzan, my question is how do you see Europe's role and the role of the European Union in the future? It's interesting to have you here as an academic, because when we talk to politicians, nobody's actually saying that it's a new Cold War. I've found it very striking that Germany's China strategy is always talking about China as a partner, but there are not many fields where this is true though we always talk about climate change. I would totally agree with you too that at least right now, this is an area of competition, but this might not only be bad news, because when it comes to solar panels, China's cheap prices might help all of us. But at the same time what I'm seeing now is also a divide when it comes to technology in terms of

China and the West. I think this is where we are heading, but I don't know if that is going to be something good and I fear it will be bad when I see that the free transfer of technology is simply not happening anymore.

Denis Simon: Henry, you said there's a kind of imperative nature to addressing global climate change, dealing with AI, and a number of issues like that, but you also said the problem is that the politics gets in the way. I'm wondering if maybe politics is, in fact, the show and it's not really global climate change, or AI, or public health—it really is politics. Then, the question has to become “why did the politics suddenly change?”

And then you look at the bigger picture: was this age of globalization an aberration in a world in which, even though I know Professor Buzan said he doesn't like the realpolitik model, that maybe the world is, in fact, much more Darwinian than we'd like to believe. The aberration really was the last 25–30 years, in which we did things in the world like we'd almost had never done before. I know there's a lot being written about the roots of globalization going back into ancient times, but the reality is that maybe the nature of the current political situation is much more the norm, and that politics itself hasn't really changed very much. Then we have to ask ourselves what happened during that short period in which globalization proliferated that made all this possible, but now we're back to where we had been.

So, whether we call it a new cold war or something different, the reality is that we may be leaning back to the norm. From an American perspective, if Donald Trump becomes the President again, it will be even more so the norm. The philosophy of “Make America Great Again” is not very different than what a lot of other countries are talking about their own “renaissance” in terms of bringing back the greatness of their own country. I'm just wondering when you say politics gets in the way, I would push harder and say “the politics is the real game of it all.” How can we restructure or reconfigure the politics so it can allow for the kinds of things that happened over those last 25 years that seem to no longer exist?

Barry Buzan: A modest set of questions. About the UK election, thanks to the great Chinese firewall and my inability to make my VPN work, I don't know the outcome of the UK election because all of my connectivity is gone. I know that Labour won, but I don't know by how much. If anybody knows, tell me afterwards because I'm quite curious.

I would dispute your characterization of Britain as a leading power. Britain is now a rather minor power of extremely little consequence as a result of the last government having taken us out of the European Union. The slogan of “Global Britain” in a world that is deglobalizing very fast is ridiculous. The country is not quite bankrupt but it's very heavily indebted. The incoming government, whilst it will want to have easier relationships with the EU and it will want to try to address the problems of low productivity that have plagued Britain for a long time, it doesn't have any money to play with. They've either got to raise taxes,

which would be very unpopular or not do very much, which is the more likely outcome. I guess the main good news is that relationships with the EU will be easier because there isn't as big of an ideological wing in the Labour Party that is obsessively anti-European as there is in the Conservative Party. So there will be some changes. They will matter very little to the rest of the world, although it will be a bit easier with Europe.

On the European question particularly: how will Europe operate in a deeply pluralist world? I think the EU is having to learn to think geopolitically, which it has never done and never wanted to do before, but has now been thrown into this by the Russian invasion of Ukraine. The Ukraine war is extremely serious and very dangerous because it's basically a war about a civilizational boundary, and the stakes are extremely high on both sides. If Russia loses Ukraine, then its whole claim to be a kind of Slavic Orthodox trans-Eurasian civilization collapses. If Europe loses Ukraine, then the whole rhetoric about Europe being in decline and no longer consequential will then be reinforced. So, the stakes for both sides are extremely high. You are seeing the boundary between the EU and the Russian sphere being extraordinarily, and very quickly, militarized. The idea of Finland and Sweden joining NATO after having decades in one case and centuries in the other case of strong traditions of neutrality is absolutely transformational. It's mindboggling, in fact.

This is a very, very serious war and neither side can afford to lose. The immediate question is what happens if Trump wins the election? Trump is a completely unpredictable factor, but it seems that the Russians have something on him, and therefore he's a Russian puppet. He plays to Russian foreign policy interests and uses Russian foreign policy tropes.

I think the curious thing about Trump, getting on to the third question, is Trump and his slogan of "Make America Great Again." Trump has, I think, utterly and totally failed to realize that what made America great was not only its material, technological, and cultural strength, but the position that it held in the world where it had a lot of friends and allies. In other words, it had a strong social position and had cemented that with a whole string of intergovernmental organizations and multilateral processes. That is what made America great—that other great powers were prepared to go along with it and accept its leadership because the terms were okay. Trump just doesn't get that at all. Therefore, he is throwing away, in my view, about half of American power. The damage done the first time around was sustainable, but if he gets in again, the second time around may not be sustainable. It will be a very different world that unfolds as a result of that.

The question on whether politics is the main show was a very good one, and a very nice way of putting it: was economic globalization an aberration? This, I think, is a very clear demonstration of what I was saying about realism earlier. Realism is a really comfortable place to be because you never doubt anything. You always know that the world is going to revert to being nasty and conflictual, and therefore you just have to go along with that. There's no puzzle about it. We had this remarkably long aberration, which made it difficult to explain why it

appeared that some quite basic things about the world had changed. I think that takes us back to the globalization theme. Globalization is not dead, and it may be, in some senses, inevitable. We are now living in such a densely packed world, something that we have never lived in before. Some elements of globalization simply have to be there. We can't exist in this world any longer without them. It would reduce things to complete chaos. So, we are still struggling to find what the balance is going to be between a globalized economy, parts of which are still there, and economic nationalism. We don't know what that balance is going to be, but it's not going to be 100% economic nationalism. If that's what Trump does, then he will simply impoverish America, and everybody who's anti-American will cheer that because it makes America less great.

Henry Huiyao Wang: Regarding the idea of “Global Britain” that Theresa May put forward, I understand she now thinks that Brexit happened because when people voted, they were not satisfied with the government. They voted for Brexit to leave the EU, but looking back, it was probably a terrible mistake. I think the EU is so important now. Rather than being one-sided, it could be really instrumental in mediating China-US relations and ensure a multipolar world, and that multilateralism can continue. I agree with you on the idea that the international social capital that the US used to have was because of its network of global organizations and the global Bretton Woods system that sustained it. If they really detach from that, the influence of the US will be greatly minimized.

Barry Buzan: First to your point about the EU's ability to mediate China-US relations. I think that might happen, but not until there is some kind of resolution to the Ukraine war. From a European perspective, China is now deeply implicated in supporting Russia. I know there are disagreements on that. I'm just saying that's the perspective.

Henry Huiyao Wang: The perspective is there, but I do think China has a huge influence and impact and an enormous role to play in mediating this war between Russia and Ukraine. And so vice versa, China can help the EU, and the EU can help China. So, I think there's enormous support from each other.

Barry Buzan: But the present situation is that the second Cold War, driven by the war in Ukraine, has pushed Europe to side with the United States. They now both think that they are against China and Russia and that China and Russia are, in effect, an alliance. I know China doesn't have alliances, but....

Henry Huiyao Wang: No, I don't think so because if you look at the substance, all of what China has said supports the EU. China says the sovereignty and territorial integrity of Ukraine should be respected. President Xi told Olaf Scholz that no nuclear war should be fought in Ukraine. If Russia cannot fight a nuclear war, what power does it have? When President Macron came to China, President Xi called Zelenskyy. China has also sent an envoy to mediate and proposed a

peace plan with Brazil and another 40 Global South countries. The only reason China hasn't sided 100% with the EU on Russia is because China wants to save a little face for Putin so that when the time comes, China can intervene. On the other hand, there are some in China who think if China does too much to resolve the Ukraine issue, everyone will chase after China. So, they view China as their number one rival before Russia.

China is in a dilemma, but I know China wants to help. China doesn't provide weaponry, but it does normal trade with Russia. However, in the Western press, that has been always interpreted as China strongly supporting Russia, but that's not necessarily the case. If China provided weapons to Russia, Russia probably would have made a big headway already. China does not provide weapons, whereas the US and the EU provide weapons to Ukraine.

Barry Buzan: We should probably agree to disagree about this. I think the main point is that the EU is not going to be a mediator between China and the US while that war is going on.

Disappearing American Order and What's Next?

CCTV Journalist: I have a couple of questions for Professor Buzan. The first one is how do you view China's role in improving the effectiveness of global governance? The second one is, since globalization and global governance face multiple problems and challenges, how do you view the role of multilateralism in global governance? Finally, what are the future trends in globalization?

Barry Buzan: On the question about China and global governance, I think the interesting question is about China finding its place in global governance. It's interesting about multilateralism, which is what the Americans invented. The American order is now disappearing, but multilateralism isn't disappearing. Realism notwithstanding, it's a kind of principle that has taken root. Yet China was reasonably cautious and slow to get itself involved in multilateralism and intergovernmental organizations. For a long time, it seemed to sit and watch and learn how things work. Now it seems to be in a next phase, where it's interested in getting its people in positions in various intergovernmental organizations so that they can influence things and shape agendas. That's already been quite effective.

I think, in the longer run, a part of this transition that I mentioned between a narrowly based Western dominated world order and what I called a deep pluralist world order is going to require what will be a decades-long process of change, either reform or replacement of many intergovernmental institutions. You see already things like the Asian Infrastructure Bank and BRICS Bank, which are the beginning of that process. They're basically saying, if you won't give us the status in the existing institutions, we'll set up our own institutions and compete

with you. Then those become bargaining chips for reform in places like the World Bank, the IMF, and the World Trade Organization. This is going to be a decades-long process.

Regarding what will happen with the United Nations and the Security Council, as a conservative member of the Security Council, China is in a good position there and doesn't want to let the Japanese, Indians, Germans, or anybody else into that privileged club. But the club is now ridiculous. Britain and France have seats on the Security Council, but the EU should have that seat. The institution is in very serious need of reform. For this to get done, we need institutions that reflect the new distribution of wealth and power and cultural and political authority. This will be a process that will go on for many decades.

Is globalization bad? Well, like most things, it's good and bad. Globalization has been extraordinarily efficient in some ways in spreading wealth and power, and the principal beneficiary of that has been China. You just have to look at what happened to the Chinese economy as it was let into the Western world economy—it boomed. Hundreds of millions of Chinese people became middle-class, people like yourselves, which wasn't the case before. For very large numbers of people, that period of globalization was profoundly positive, but for a whole bunch of other people, it was profoundly negative because they lost their jobs and found themselves priced out of markets or became dependent on supply chains that were not reliable. So, it's a complicated question, which has big positives and big negatives. This is part of a long cycle, and almost a dialectic between economic nationalism and the global market, of which we are now in the fifth cycle. We're casting around once again to find the right balance. Too much global market is unsustainable, but so is too much economic nationalism. You have to have some kind of balance between the two, but how you do find that balance and agree it. We've lost that for the time being, and that's what we're looking for. So, I don't think you can make a grand judgment about whether it's good or bad.

Yes, the global economy is not in as good shape as it was a while back, but a while back there were big financial and debt crises. The global economy was not organized in a sustainable and optimal way, and that seems to be the problem. If you look at this pattern I describe, hardly any of these phases last more than three or four decades. It's been too much of one or too much of the other, which is unsustainable. Bretton Woods was the first attempt at a compromise, but that was unsustainable as well because it had a design flaw in it. It was dependent on the US dollar, which meant that the US eventually built up big trade deficits that became domestically unsustainable. So, if any of you have got a good idea about how we balance economic nationalism and the global market, now would be a time to write it down and publish it because we are in significant need of such ideas.

To the last question on environmental globalization and what would be the fundamental principles of that, I think if you're interested in that question, it's worth investigating the work of a group of people who identify themselves as earth system scientists. This is mainly natural scientists who use the skills of

the different sciences represented in them to try to work out what the limits are and how many of them are. There are about 15 or 16, I think, in their present set of global planetary physical limits affecting the global planetary systems. How much CO₂ is there in the atmosphere? How much nitrogen is there in the water? How salty or not, or acidic or not are the oceans and a number of other measures. Most of these things are measurable. This group of people has identified a series of thresholds saying if you go over this threshold, you're in deep trouble because the planetary systems begin to break down and the supports on which humankind and the rest of the biosphere depend begins to cease being supportive and becomes more and more demanding as a place to live.

Basically, the underlying philosophical drift of environmental globalization is that human development, however you understand that, and whether you think it's about catching up for the developing countries or about continuing to develop for those already at the cutting edge, it has to be sustainable within the carrying capacity of the planet, because if it isn't, then we will overwhelm it and undermine the conditions of our own existence. We don't yet have a very clear understanding of how all of those planetary limits interact with each other and at what point you might get a sudden, catastrophic tipping point. This might be a big change that is hard to reverse like a 10-degree temperature rise due to a sudden release of large amounts of methane into the atmosphere from a permafrost melt. If the sea warms up enough and if the permafrost areas warm up enough, one of the dangers is you might get a huge surge of methane into the atmosphere, which would suddenly accelerate global warming by around 10 degrees very quickly.

We know that could happen, but we don't know if it will happen. We don't know whether there will be a big volcanic eruption, but volcanoes play a very big role in climate change. We have been lucky enough to live through a time when volcanic eruptions have been relatively few and relatively small, which has kept the climate relatively stable. But if a big one goes off somewhere, it could easily precipitate a global winter lasting several years and we're not prepared for that.

Outlook on the Global Economy in an Era of Remained Integration

A Dialogue with Martin Wolf

Henry Huiyao Wang and Martin Wolf

Despite talk of decoupling and reshoring in the global economy, many countries remain deeply integrated through trade and business. The changes that are occurring throughout the world, especially post-Covid, will have far-reaching implications for many of the world's economies, which despite these changes will no doubt remain deeply connected.

In this dialogue, CCG President Dr. Henry Wang, Martin Wolf explore topics such as worries among Western investors, sources of China's GDP growth and lessons to be learned from Japan should China's growth bubble burst. Meanwhile, senior expert Yongfu Sun suggests the topic of strategic autonomy and how the EU might achieve that in light changes in its relations with the United States and the threat of Russia.



Henry Huiyao Wang in dialogue with Martin Wolf at CCG's Beijing office

Mr. Wolf has had an illustrious career in journalism and is considered a leading authority on globalization. He previously worked at the World Bank and has been covering the world economy and global finance for the Financial Times since 1987, later became Associate Editor and Chief Economics Commentator. He was awarded the CBE (Commander of the British Empire) in 2000 for services to financial journalism. He has honorary doctorates from the London School of Economics, Nottingham University, Warwick University, Kingston University, Macquarie University and KU Leuven. He is an honorary fellow of Corpus Christ College and Nuffield College, Oxford University, and King's College London. He is also the author of several influential books including *Why Globalization Works* (2004), *Fixing Global Finance* (2008), *The Shifts and the Shocks: What We've Learned—and Have Still to Learn—from the Financial Crisis* (2014), and *The Crisis of Democratic Capitalism* (2023).

Yongfu Sun is CCG senior fellow and former Director-General of the Department of European Affairs, Ministry of Commerce.

De-risking and Worry among Western Companies

Henry Huiyao Wang: People are talking about de-risking with respect to China and this is reflected in this year's Munich Security Conference theme, which was "Lose-Lose?" China used to say "win-win," but if we can't achieve a win-win, we end up in a "lose-lose." When I was invited to speak at the German Parliament in November, I heard the CEO of Mercedes Benz talking about de-risking and he said the biggest risk is not going to China.

China now accounts for 70% of global 5G and two-thirds of global high-speed railways. Seven out of the world's ten largest container ports are in China. Apple's success is due to the fact that 95 percent of Apple products are made in China, while their chips are made by a Taiwanese company, which President Trump complained about.

But one of the factors of globalization is this kind of synergy and effectiveness with 12 million single-child college graduates every year that creates an abundance of talent. Even though the cost of labor is rising, China's synergy and efficiency upstream and downstream is still there. Some German companies, like car companies, have said the reason they are in China, is because of the state-of-the-art technology both upstream and downstream as well as R&D. If they can't enter the Chinese market, they can't go anywhere else. They have to be able to make it in China in order to make it in the world market.

In that sense, China's super productivity is one of the factors that make it very difficult to decouple or de-risk from China and its big market potential. As Premier Li said at Davos, in the next decade, there will be 400 million people in China in the middle-income bracket, while the next decade will be 800 million. This is hard for them to neglect. Does David Ricardo's competitive advantage still work for the efficiency, synergy, and productivity of a 1.4 billion person market?

Martin Wolf: Well, there are clearly unambiguous gains from trade, which arise from many sources, including the ones you discuss, so I don't think there's any particular reason to dispute this. The importance of the Chinese market for producers and companies varies across industries and across countries. If you look at particularly German automobile manufacturers, you'd want to operate globally. The German market isn't big enough, so you need the European market and as much as possible the rest of the world's market. So German companies have been actively engaged here from the beginning and, on the whole, they've done very well.

The experience of Western companies in China has varied very much across companies and industries. The experience they've had is complicated by Chinese practices, by the nature of the joint ventures they were in and what happened to their intellectual property. These vary, but there's no doubt that there are a number of very important positive stories there.

On the other hand, there are very major Western companies in the tech space, like Facebook, which is basically not here and they've survived pretty well too, because the rest of the world's market is also very large. It's not easy to argue that they all have to be here, but some of them clearly benefit enormously from it. This is not everything, but I'm trying to explain why the difficulties arise.

Trade is win-win in aggregate. It's not win-win for every country or for every group within countries at all times. Sometimes, depending on the comparative advantage of the country or the company or the groups within society, there can be a lot of losers. And losers are always more politically effective than winners. The great Mancur Olson explained this best in his famous book *The Logic of Collective Action*, written 60 years ago—a wonderful man, I knew him very well.

Up to now, the general view in advanced European industries has been, “We benefit enormously from trade with China. It provides a wonderful market and a wonderful place to invest. But it's not a competitive threat to us.” That's still the view of many industries, including the pharmaceutical industry. Most of the tech industry thinks we can survive with China and they're wonderful at some things. As you say, Apple's relationship with China is mutually supportive.

At the moment, Airbus looks fine, but Boeing is collapsing. Airbus is going to take over the world and it's not worried about China. But there are some industries that are beginning to be worried and the most important of them is the motor vehicle industry. Not Mercedes, because they're doing something different, but more BMW because we're in the middle of a technological revolution, which will change the motor vehicle industry forever and China is the leader.

So they're only going to wake up and find the single strongest industry in Europe is dead, but that won't go easily. As somebody pointed out to me, it employs 14 million people, which is a lot in Europe, and they will all have political stakes.

So the answer is yes, in aggregate, you're right. But there can be some very big difficulties and the WTO even allows for this because you have safeguard clauses and they will be used. One just has to be aware of the reality that

something that is win-win in aggregate across everything is not necessarily win-win for everybody. And in a system in which everybody has political representation, that matters.

And all of this leaves aside the possibility that people go so crazy that they elect a nincompoop like Trump and then we are in a different world. I don't think that's going to happen in Europe though we have a similar figure in Marine Le Pen in France, but I don't think she's going to matter that much. But in politics, apart from these rational reasons, can lead to profound disruption if people abandon reasonable policy-making and start doing things that are really silly. It seems to me that if you look at the success of the the reform and opening up process, and you contrast it with what happened in the 20 years before it, you can see people can make mistakes.

AI and Elections in the UK

Hou Wuting (Caixin Global): Mr. Wolf, I have two questions.

In your speech, you mentioned that after 2008 we've seen less economic opportunities, for example with a smaller Chinese labor force. And that we've also exhausted the other driver that you mentioned: communications and transportation. You also said that we haven't seen any great breakthroughs though last year we saw a lot of talk surrounding AI. My first question is how do you see AI fitting into these three drivers and what will be the impact on globalization in terms of trade?

My second question is about this year's election in the UK. The opinion poll on Rishi Sunak has been quite disastrous and I want to ask you if the Labor Party could win the election this year? What would this mean for relations between the UK and China? What is public sentiment in the UK like at the moment?

Martin Wolf: I think the honest answer to AI and trade is that I don't know. It depends on two things, both of which are unknowable. First, how profound of the change caused by AI is going to be on society and economies; and then more specifically from that, what will happen to trade? I may be wrong, but I can't see why AI should have any particular powerful effect, at least on trading goods. It might have more significant effects on trade in information across borders, the quality of information, data flows, the management of those, and digitally enabled services. More broadly, the implications might be quite profound, but I don't think I've read or seen anything or talked to anybody who says they really have a clear idea of what this will mean. I think the main reason for that is we don't really know what it will mean anyway. I can see a few gains from basically convincing human beings that we're no longer masters of our own intellectual fate. This is a pretty big thing and the real issue. Everything else is secondary.

However, my friends in DeepMind, which is part of Google, tell me that it can multiply massively our capacity for scientific advancement, so I accept that. But this is a general purpose. The changes caused by technology and general-purpose

technologies, are very difficult to predict.

I don't think the election in Britain will make any significant changes that I can see on policy towards China. I don't think we really have a policy towards China because our policy towards China is determined by our relations with the US and Europe, so we're not going to have a different policy in any fundamental way from either. Real problems arise when the policies towards China of the US and Europe diverge, but at the moment, I would say they're not very divergent, except that Europeans are much weaker. Europeans are not very assertive. I can give you the history of the last 200 years and it will explain why Europe is not the United States, but it will not diverge dramatically unless the Western alliance, which is really an underlying guarantee from the US, collapses.

This also addresses the question of whether there are circumstances in which Europe will significantly diverge from the United States? The answer is very simple: only if the United States basically abandons Europe, which might happen now and would put us in a really different world from that of the last 80 years.

Regarding Britain's government, I have to start by saying that I'm a democrat and believe that, if you study history, most leaders of most countries at all times are incompetent. I want to get rid of incompetent leaders without having to kill anybody, which is a very important objective. In the last three years, we have managed to get rid of two sensationally incompetent leaders without having to kill them and that's a good thing. They went and nobody needs to think about them anymore and we are about to get rid of a third. I do think it is possible that the fourth will be less stupid than these people were, and that's progress.

GDP Growth and Consumption in China

Xie Wenting (Global Times): My question is related to the Chinese economy. China is thinking about new drivers for its economic growth since real estate and foreign trade, as you mentioned, are playing a diminishing role. My first question is, what do you think the potential new drivers for China's economic growth are? Second, people say that China's GDP is decreasing and our economy is facing some challenges. From your point of view, what are the main challenges for China's economy this year and what are your suggestions for Chinese policymakers?

Martin Wolf: I must say that I have been surprised from the discussions I've had with economists, some of whom I've known for decades, as they are quite downbeat at the moment. But let me separate the short-term from the long-term. My main argument is one I've been putting forward for a very long time, and is pretty standard: China has two macroeconomic problems. If you talk about the question of how China will become an all-round high-income country, which is obviously the objective at the moment, China's GDP per head in real terms is roughly 30 percent of US levels and one would say that when it's 60 percent of US levels, it would be a high-income country. That's clearly doable, but it's

going to be harder than what's happened so far.

The first challenge is raising underlying productivity, and there's quite a lot of evidence from the data which suggests the total factor productivity, which is a measure of the rising output relative to the inputs, has not been growing very fast for quite a long time. Growth has been very, very dependent on enormously high investment rates, but that's been slowing too. And the main reason for that, very clearly, is that the margin returns on investment have fallen a lot.

There's a productivity problem and I think there's an over-investment problem, which is another way of saying, in my view, that China's national savings rate is too high to be productively absorbed in the economy at current levels of GDP and there is no plausible investment—with one exception—that can offset that. The last one that did absorb a lot of these savings was this huge real estate building boom, but that's pretty clearly coming to an end. The great thing about real estate is you can spend so much that it absorbs a lot of the savings.

Now if you think about this combination of things very broadly, there are the following things you can do. You can find new domestic investments in very large scale, which will absorb resources, savings, and be efficient and productive. And it seems to me the most plausible large-scale investments which are already happening is in renewable energies of various kinds. And that's clearly part of it. Though in commercial terms, it's not going to be terribly productive. It's profitable—it's defensive, more than profitable. Even so, I think it's going to be virtually impossible to absorb it in renewable investment.

The temptation in China, as far as I can see, is to increase investment in manufacturing. The problem with that is it's going to create more excess capacity and a lot of that excess capacity will end up being exported to the world. If it goes to Europe and the US, there's going to be fierce resistance. I think that will turn out not to work and ultimately be a waste. Of course, investing in new technologies for Chinese markets is a different matter altogether, but most other developing markets aren't that big, so there's a limit there.

Investment is part of the story, but the bigger part of the story is China's national savings rate, which is the highest in the history of the world for a country at this level of development and size. It is just higher than can be absorbed productively at this current rate of income and it's going to have to default.

The period of absorbing the excess investment in real estate has come to an end. This is similar in infrastructure and much of what's being built. That means consumption has to rise and the future driver will be consumption. I promise that because it's been true for every country that reached the level of GDP per head that China has reached. The question is only how it's done. It could be public consumption, it could be private household consumption, but if it's going to be public consumption, it means taxing. And if it's going to be private consumption, it means some combination of lower household savings and redistribution of income. And all that's going to be fantastically difficult.

Intellectually, one can see what the drivers will be, but I don't know how it's going to happen. If that doesn't happen, growth will slow further and it's already slowed a lot. I tend to the view that in China the year-on-year GDP figures don't

tell you very much. The problem is not that they're mismeasured, but that a lot of GDP is done and produced for non-commercial reasons, which means you don't know what value it has. If you build, for instance, vast numbers of tower blocks that are not occupied, that's not productive GDP. This is the issue now.

On the second point about GDP this year or the GDP prospects, I tend to the view that whatever the Chinese government's target is, that's what's going to happen. But the question is: What does it mean? Is this good, valuable GDP, that produces now, or in the future, welfare for the Chinese people, or GDP that consists of creating stuff that will actually never be usable? Obviously, a lot of it has been the former and there's no doubt that China has got much better off – there's no doubt. But quite a bit of it has also been the latter and that is always the question. This was said by the former premier and shouldn't be very controversial.

I've talked to a lot of Chinese economists who think that the underlying trend growth is now about 4%. Let's assume that's correct. I can say with absolute confidence that you cannot productively invest 40% of GDP when your economy is growing at 4%. It means you're investing too much, which is completely different from the case where you invest 40% of GDP in an economy that is growing at 10%. Then you need all these goods because you have to expand the capital stock to meet the future demand. But the difference between 4% and 10% is considerable in terms of the market expansion and new opportunities.

US-China Tension and EU Strategic Autonomy

Yongfu Sun: It seems to me that geopolitical tensions have a lot to do with the trade tensions. You've mentioned there are a lot of pressures. If Trump becomes President again, trade tensions will be even more serious, but, of course, business is business.

Trade tensions are there and will be there for quite a long time because China is more or less a rival to the United States. Unlike Russia, which is a short-term enemy, China is a long-term enemy, which makes it difficult for China. To create a harmonious society or world, you need two to tango, but if the other side is not willing to cooperate with you, it's difficult for China to overcome this tension. The problem is that they have their allies and I think President Biden is succeeding at bringing those allies together. The EU is one example, following suit in terms of what the United States is doing to China. How do you think the EU can achieve so-called strategic autonomy? I think this could be good for China and the world. Can this really be achieved economically, politically, and militarily? It seems quite difficult. What are your thoughts?

Martin Wolf: I think that's a relatively simple one to answer. The EU will never achieve strategic autonomy. It can have it thrust upon it, but that's a very different thing. The US can force it by abandoning it and it is conceivable that the US could be that stupid, but it would be a monstrous mistake on the part of the US.

But of course, if the US really convinces the Europeans that they are on their own, they will have to exert strategic autonomy or they find some other patron, which would not be China.

I've worked in Europe for many years. I and my ancestors have lived there forever, at least the last 2,000 years. And we've lived in many countries because I'm Jewish and my ancestors come from many different countries. So I really know Europe and the Europeans don't want strategic autonomy. They cannot create effective political structures that would allow them to agree on how to implement it. As things are, they are far happier with subcontracting strategic autonomy to the provider of their umbrella. I don't see any sign of this changing unless you generate a crisis so monstrous that the Europeans will have to integrate politically, which is what would be required. This cannot be done with the current EU and you would have to create something that looked much more like a state with a government, which would then need an army and a lot of nuclear weapons.

Our principal enemy is Russia and Russia has only one instrument: 5,000 nuclear warheads. That's why the US matters. We can't have strategic autonomy without nuclear warheads if the US doesn't defend us. Maybe 500 warheads would do and we could build them, but that's a different Europe and a different world, which would be unimaginable. I honestly don't think you'd like it because it would be German-led and Germany's record as a great power is not entirely happy. Should that happen, the Europe that will emerge would be quite unpredictable. It wouldn't be today's Europe.

And the other point I would make is that while I know a lot of Chinese people hope that Europe will somehow separate itself from America, it won't because it doesn't want to be a power. There's a very profound desire not to be a power, and that's partly because of profound disagreements that have arisen due to the values, history, politics within Europe.

The most important point is that Europe is essentially an aggregation of failed imperial powers, which includes Germany. It didn't even get there, but it tried to be an imperial power! It tried to centralize Europe and none of these countries view this experience with pleasure. They don't want to do this again, and that's what we're talking about.

So, it is not going to happen. Europe will never be a good ally for China. It can be a good friend commercially, but in geopolitics, when the rubber hits the road, it's going to go with America as long as America continues to be the guarantor of its security. Of course, the US behaves in an unpredictable, unpleasant, self-centered, and irrational way, but from our point of view, it's the least bad. It's the worst hegemon except all the others that are around. So that's why we stick with them.

Economic Bubbles and Lessons from Japan

Bai Yunyi (Global Times): Some viewpoints suggest that the current

performance of the Chinese economy is similar to that of Japan in the 1990s. So my question is: how do you view this comparison? What are the similarities and differences between China today and Japan back then? And do you think there are any lessons that China can learn from Japan's experiences?

Martin Wolf: The answer is that there are similarities and differences.

So the main difference, which is very important, is that China is, relatively speaking, much further from high-income status than Japan was in 1990, so its growth potential is substantially greater. And so there's much less reason for the productivity slowdown that occurred in Japan. In that sense, with the right policies, China should not end up like Japan. That's the difference and it's a very important difference. The right policies should be possible.

For the similarities, China has been like Japan, but even more so for all the East Asian countries. You have very high savings, peaking at 50% of GDP roughly; Japan peaked at about 40%. This is fantastically good when you're growing at 10% because that's the sort of investment rate you want. In fact, without an investment rate of 35 to 40% of GDP, you cannot grow at 10%. For a fast-growing manufacturing country reconstructing a modern economy from scratch, that savings rate is wonderful.

In the case of Japan that continued basically to the 1970s when it already became a high-income country and caught up with most of Europe, its saving was about 35% of GDP and natural investment rates, those that were growth-promoting, were falling. As we enter the 1980s, you will begin to see the similarities. If you look at the long-term, the investment rate declined and the current account surplus exploded. Because if you don't invest your savings at home, you invest them abroad, and investing abroad means you're running a current account surplus. The Americans saw this current account surplus, which peaked at about 5% of GDP, and said "No, we're not going to have that. It creates problems for us." They told the Japanese to get rid of it and the Japanese didn't do the sensible thing and lower savings. Instead, they decided to expand domestic investment. And what do you think they did? They cut interest and expanded credit like crazy. They had one of the biggest property booms in the history of the world until China did. That peaked in 1990 with the property boom, which was also a huge stock market boom, because money was free, creating what they called the bubble economy, which collapsed in 1990.

And that's the similarity. Think of the Chinese current account surplus of ten percent of GDP in 2008. This disappeared and the savings rate didn't fall, so the offset was a massive rise in domestic investment in real estate and infrastructure as growth was falling. Those are the similarities at the macro level except China did it on a much bigger level. When the bubble collapsed, Japanese policymakers said, "You've all been very bad people and very irresponsible, so we're not going to lower rates very much. We're not going to do any artificial stimulation. We're just going to allow the economy to adjust." The result was deflation and entrenched deflationary expectations, which meant monetary policy ceased to be effective and there was a huge financial crisis that chewed up the 1990s. This

deflationary process continued through the 2000s and is still around today.

The terrible mistake was that they didn't change their macro structure early in the 1990s. My view is that the lesson from this experience is you've got terrific potential, but do not allow deflation to set in, which is very important because if you do then you will get falling prices and expectations of falling prices make monetary policy very ineffective. You are then forced to use massive fiscal policies, which are very expensive and force you to start dealing with structural problems, which are related to excess savings and consumption because the economic structure was wonderful while there was a 10%-growth, but it isn't anymore.

But nobody's tried to change it. It could be done and it's not difficult, but I think the mistake that I fear here is they won't do this on a big enough scale. Ten years from now, we will look back and say that growth is now bound to three percent in the 30s. Deflation is entrenched, monetary policy is ineffective, and China is not taking advantage of the opportunities it has.

The lesson from Japan is that if the bubble bursts—if stock markets are weak and real estate prices are falling and there is lots of bad debt in the system—you have to clean it up and stop deflation quickly. You have to get consumption up and that can be done in many different ways. Otherwise, you could get caught in a trap. I don't know how likely this is, but I have a strong sense that is the chances of this happening are quite significant.

Today is a moment in Chinese economic history that may be quite important for the next 10 or 20 years. The real estate solution to the problem of excess savings is no longer workable and there isn't much else that really works. When the economy is growing at 4% or 5%, you need to reduce the national savings rate. A national savings rate of 40 percent of GDP is just too much now. I think that people should go out and enjoy their lives. What's wrong with that?

Global Economic Prospects: The Global Economy Is Rebounding, but Growth Is Expected to Slow

A Dialogue with M. Ayhan Kose, Martin Raiser, and Ekaterine T. Vashakmadze

Henry Huiyao Wang, M. Ayhan Kose, Martin Raiser, and Ekaterine T. Vashakmadze

Economic drivers are at the core of globalization, which was hit hard by the pandemic. Policy controls and response measures to the pandemic impacted both advanced economies, emerging developed economies and emerging developing economies, but the impact on less developed and lower-income economies was considerably more severe. While the global economic recovery proceeded and China saw rapid recovery in 2021, future growth and continued recovery faced risks due to resurging cases of Covid, sluggish trade and other factors like natural disasters.

The following dialogue was attended by Dr. Henry Huiyao Wang, M. Ayhan Kose, Martin Raiser, and Ekaterine T. Vashakmadze from World Bank Group. In this discussion, they explore the critical issues that have shaped the economic outlook of the world, including the surging inflation, higher debt and increasing inequality as well as major policy movements and market trends in China's domestic economy.



Henry Huiyao Wang in dialogue with Ayhan Kose, Martin Raiser, and Ekaterine T. Vashakmadze

M. Ayhan Kose is the Deputy Chief Economist of the World Bank Group and Director of the Prospects Group. He is a member of the Chief Economist's leadership team overseeing the Bank's analytical work, and policy and operational advice. He also leads the Bank's work on the global macroeconomic outlook, financial flows, and commodity markets. Under his management, the Prospects Group produces the Bank's flagship reports Global Economic Prospects and Commodity Markets Outlook, in addition to other policy and analytical publications.

Martin Raiser was the World Bank's Vice President for the South Asia region. He has also held positions as the Country Director for China and Mongolia, and Director for Korea, Country Director for Brazil, Country Director for Türkiye, Country Director for Ukraine, Belarus and Moldova, and Country Manager for Uzbekistan. He became the World Bank's Senior Representative for European Economic Cooperation on July 1, 2025.

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Henry Huiyao Wang: In the latest global economic prospects, we've seen that after rebounding to an estimated 5.5 % in 2021, it is expected that global growth will decelerate considerably to 4.1 % in 2022, reflecting the continued impact of global challenges, diminished physical supports and lingering supply bottlenecks. Maybe we can have Dr. Kose give us a fuller picture of this.

M. Ayhan Kose: I'll structure my presentation around three questions. First, what are near term growth prospects for the global economy? Second, what are the main features of commodity price cycles? And third, what are the policy priorities for emerging market and developing economies?

We had a once in a century crisis and collapse in 2020 followed the deepest global recession we experienced over 80 years. We also had a very sharp rebound in the global economy, reached 5.5 % at the global levels, but over the next two years we are expecting global growth to slow down in both advanced economies and emerging markets. My first observation is that global economy is entering into a broad-based slowdown. The second observation is that this is an exceptionally steep slowdown. We had an exceptionally sharp rebound but now we are going to see an exceptionally steep downturn.

Following the 1975 recession, the global economy rebounded in 1976, but then quickly slowed down. After the 1982 recession, the global economy accelerated in 1983, 1984 and 1985. Similarly, after the 1991 recession, we also saw an acceleration in the global economy in 1992, 1993 and 1994. And in 2009, we had a sharp rebound and then a serious slowdown, which ended with the euro

area debt crisis. Last year, we saw global growth slowing by about 2.3 percentage points, which was sharpest slowdown we saw. We downgraded our growth numbers at the global level for advanced economies as well as emerging market developing economies, which in part a reflection of reflect Covid waves.

Why do we see this slowdown around the world? The first reason is that we implemented extraordinary fiscal and monetary policy support measures and that support is now is being withdrawn. The second important reason is that last year, we saw strong pent-up demand, but now that demand has dissipated. In the case of emerging market developing economies, that is already underway with policy support and external environments being far less favorable. External demand will decline for emerging markets and developing economies with trade becoming weaker overall. Portfolio flows are already quite weak and financing conditions are already tightening.

We looked at how inequality between countries has evolved after the global financial crisis, and after the pandemic. After the global financial crisis, emerging markets were able to recover much faster and they did perform well. For the period from 2008 to 2010, inequality between countries has actually declined, irrespective of the measure you use. During the pandemic, we saw an increase in inequality, which is not surprising given the different flight trajectory. As I mentioned, investment in economies were in large part due to unprecedented amounts of policy support. Advanced economies were able to put all types of measures into place with very strong vaccination campaigns that enabled them to vaccinate their populations very fast. This was not the case with developing economies, which lacked sufficient doses of vaccines, which is just one indication of the inequality present.

Now let me turn to the second question. The main features of commodity price cycles is that most commodity markets are quite important for emerging markets and developing countries. Almost 2/3 of emerging developing economies, one way or another rely on commodity revenues to basically carry out their activities.

Revenues account for 60% or, in some cases up to 80%, of total export revenues in emerging market developing economies. We went through a historical commodity boom bust cycle in the sense that commodity prices collapsed with the arrival of the pandemic in early 2022. But then, for most commodities, we see a surprising uptick in prices, and prices reached a record levels. In fact, now oil prices are seeing multi-year highs. This is also true for metal prices as well. This coincided with the global recession due to the pandemic.

Despite this similarity in duration, booms translate into much larger increases in absolute terms. What we see are declines during slumps, which is an important policy implication for commodity producers. They need to think about how they can take advantage of these windfalls, because they are quite sizable and smooth during slumps. Both supply and demand conditions affect commodity cycles.

Let me turn to the third question. What are the policy priorities for emerging markets and Developing economies? The list is long, but the first priority is still keeping the pandemic in check, which requires coordination to ensure equitable access to vaccines and reduce the threat of new variants.

Another important point when it comes to policy is ensuring macroeconomic stability, which is easier said than done. Many countries have to confront issues of inflation to maintain price and financial stability, which requires strengthening macro prudential policies. Debt problems require a finding ways to improve the revenue side of the government balance sheets and rebuilding the fiscal buffers to overcome debt sustainability concerns. Given the new waves of the pandemic and the climate related disasters, we project possible financial stress we are projecting down the road. It will be critical to enhance crisis preparation and teamwork to improve long term growth prospects. In both cases, emerging markets and developing economies need to find ways to undertake reform initiatives, structural policy interventions, and of course, in the case of commodity exporters, especially those in fossil fuel commodities, reduce excessive reliance on these commodities for fiscal and export revenues. By diversifying their economies, countries can find the assets they already have, including human capital and the physical capital, confronting the generational challenge of climate change, and confronting this challenge of inequality, given the scars associated with the pandemic.

Henry Huiyao Wang: Dr.Kose, that was an excellent, comprehensive and very timely presentation of your latest global perspective report. I think it's relevant for not only emerging markets and developing economies. You also mentioned a lot of policy recommendations for how we tackle the pandemic and the global recession, including debt and supply chain issues.

The Chinese economy is still doing pretty well. I last year we just had the numbers come out that showed China achieved 8.1% GDP growth in 2021. We'd like to hear more World Bank perspective and forecasts for China. So maybe I'd now like to invite Dr. Martin Raiser to give your presentation.

Martin Raiser: The key messages that I would like to emphasize for the case of China are: first, China's efforts to control Covid 19 were quite successful early on. This has been one of the factors that led China to recover much more quickly than much of the rest of the world. We see this in the data with a large statistical rebound in GDP in the first half of 2021.

Now going into 2022, the environment is likely to change. On the one hand, China has to ensure that growth stays close to potential against the background of a difficult external environment. But on the other hand, that the sources of growth continue to re-balance to more sustainable, long-term sources, including a greater emphasis on consumption, a greater emphasis on services, and a greater emphasis on green industries. The drivers of economic growth have shifted from the dominant role of the public sector, which really led the initial part of the recovery, to more private sector led investment.

Currently, although China's per capita income is only slightly below 1/3 of the OECD average, the amount of physical infrastructure per capita in the public sector in China is the same as the average in the OECD. A lot of us are, in many ways impressed and grateful for the excellent transport infrastructure,

the high-speed railway, for example, the airports, et cetera. But this also means that China's ability to stimulate the economy with more traditional infrastructure investment is more limited. New infrastructure is what will need to be identified, for instance, in the greening of the economy.

To summarize, China was the first to bring the pandemic under control. It was the first economy to recover from the pandemic. We see this in China's very strong performance in 2021. China has benefited additionally from the fact that other economies have put so much money into stimulus packages, which has allowed China to be one of the first countries to recalibrate its policy mix as other economies step off the gas, reduce the stimulus at home and re-embark on structural reforms and de-risking policies going into 2022. The environment is less benign than it was last year, which means that China may need to relax its policy a little bit. But fundamentally, we think China needs to continue its de-risking and structural reform agenda in order to make sure that growth over the medium term is both more sustainable, greener, and more inclusive.

Henry Huiyao Wang: Thank you, Martin, a very stimulating discussion. There are so many opportunities and challenges, Covid challenges in particular, but also policy adjustments. Those are very valuable recommendations.

Now, I'd like to ask some questions to start the discussion. So, Dr. Kose, you mentioned about the widening a gap in inequality. This has not been reduced and has even gotten worse during the pandemic time. This has really had a huge effect in a global economy. Just recently, Oxfam said that the fortunes of the world ten richest people have more than doubled their fortunes from \$700 billion to \$1.5 trillion at a rate of \$115,000 per second, or 1.3 trillion a day. That's enormous.

And the past two years of the pandemic have actually has caused this gap to widen again. How can we really address that? China has started working on its common prosperity initiative so that we can try to contain this trend. In the last ten years, China has lifted the remaining 100 million of its people in extreme economic straits out of poverty.

Recently I also noticed that the G20 proposed a minimum global corporate tax of 15% on all multinational companies, but there are two issues here. One is domestic policy in terms of ensuring that policy adjustments get real benefit to the bottom 50% gets really benefit, not getting poor and poor. The other important thing is that if this corporate minimum tax is in place, multinationals will repatriate what they made overseas and benefit the bottom 50%. If this happens, China would be less of a scapegoat for the problems that other countries face.

What does the World Bank think about this? This is one of the key issues I think that we have to address. Otherwise things will get very tense due politically.

M. Ayhan Kose: So obviously, when we think about the pandemic and inequality, you nicely mentioned these high level stylized facts. Inequality was a problem before the pandemic, and because of the pandemic, it's an even a bigger problem. Now, as I mentioned, we will see increased inequality between

countries.

The big challenge is that because of the pandemic, we see an increase in many dimensions of inequality. So this is a pandemic of inequality, in a sense, when you think about availability of vaccines. When you think about economic activity, there's a big difference between advanced economies, emerging developed economies, and emerging developing economies. In some cases, developing economies are not catching up anymore and they are actually decoupling in access to education and health care. Some have the means and others don't. The scale of job and income losses have been much higher in poorer segments of the society for women, for low skilled employers, workers, and informal workers. The big challenge for us is that we see how inequality has the potential to leave lasting scarves. When you think about, for example, human capital losses, primarily because of the distractions in access to education, these human capital losses can spill across generations. Now you are asking what I think is a very pointed question. How can the global community play an important role?

Basically, richer countries need to help poorer countries, who are lagging behind. In the case of inequality, the global community can do certain things, but the national policy makers also need to act, and that starts with having a comprehensive strategy. Such a strategy has many dimensions, including policy measures and cyclical measures, adjusting them in a way that you are able to utilize the levels provided to the public sector to protect the most unfortunate segments of society. During downturns, stronger social safety nets ensure that there is improved equality when it comes to opportunity. When we think about the kind of the broader challenge finding ways to improve health and education access to larger segments of society, this shouldn't be just building a school, but making sure that the school building has the basic teachers; not just having a hospital, but ensuring that the hospital has the necessary health services. I think the Bank is trying to overcome these challenges on the go. By no means these are easy to address, but given the kind of the increasing inequality, increasing poverty, we should worry about social tensions brewing because of these changes down the road and the consequences and the costs of not addressing the inequality problem.

Martin Raiser: You're right, just briefly on China. China has so been very successful in poverty reduction. We are actually working on a study that will soon come out with the Center for International Knowledge and Development (CIKD) that summarizes the experience of that poverty reduction, but the highlight of this reduction in poverty was that it was due to China's extraordinarily fast economic growth and that came from a very substantial structural transformation of the economy from a largely agrarian to a heavily industrialized economy, so that I think is the key lesson.

Now, over the last ten years, China has also started to, in a limited way, reduce economic inequality and used social transfers to help the most vulnerable. And there are some lessons also to be learned from how China has managed to target those transfers. But as we find, one of the byproducts of the rapid social

and economic transformation that China has gone through has been a dramatic increase in inequality. And this together with the way that the education system is organized, has led to declining levels of social mobility. So, China does face some challenges going forward despite its success in poverty reduction in ensuring that everybody has access to the same, particularly economic educational opportunities, because those are the ones that will translate into job opportunities later on.

Once again, I think China's experience can provide some very helpful lessons to other countries, because around the world, what we have seen is a significant increase in access. People are going to school, but there remain persistent inequalities in learning outcomes. This means that people are going to school, but they're not coming out with the same knowledge. Within the same country, the same primary and secondary schools don't necessarily offer the same quality of education. So, I think achieving more equality in access to quality education is going to be one of the key challenges to deal with the inequalities that we see. This is not the only one, but I think China has a lot to offer here and it's something that we are very much engaged to studying.

Henry Huiyao Wang: Thank you, Martin. We'd love to see your new report. Access to education and job opportunities is probably the next area of inequality that we have to tackle here in China. But Martin, you mentioned something about the "Zero Covid" test policy that China has adopted over the past two years of the pandemic and how it seems to have been quite successful, making it the first economy to recover. China's import and export volumes have hit historical record highs and reaching US\$6 trillion, up 20% in 2021 according to the latest statistics. However, this huge momentum seems like it will probably slow down, because other countries may already have more widespread herd immunity, whereas China may still be vulnerable due to its Zero Covid policy. If China continues to exercise very tight control, it will definitely impact the economy, tourism, SMEs and people's livelihoods. How do you think we can find a balance? What are the optimal policy options for China in the future while we maintain a certain level of a policy intervention and at the same time opening the economy as much as we can in order to interface with the world?

Ekaterine T. Vashakmadze: Before the pandemic, we saw that China trying to rebalance - from investment to consumption. We also know that the Covid has interrupted this rebalancing, because it hurt consumption. When you take two years of consumption, you see this big hit and it's still negative. This balancing is complicated and it has its implications on the world, including inflation. We know that China relies on industry and industrial production has increased commodity prices, which have had the other implications for global inflation. So, in the longer term, this will show in the challenges to China and its margin. It's potential for growth will be decided by productivity, which very much depends on openness — to ideas, investment technologies and movement of people. I think these are two big risks that I would look at and I believe it's a very serious

concern, risk and policy decision going forward.

Henry Huiyao Wang: We have some questions from media. As economic growth slows down, and the inflation rate remains high, will this eventually turn into stagnation? Will these factors help to ease high inflation? That's from China Business News. Another one from China News Agency: China has released the data for last year say that the Chinese economy has grown by 8.1% and economic aggregate volume has exceeded 110 trillion yuan. How do you view this performance? What role China can play in global economic recovery? The third question from Red Star News: the violent eruption of an underwater volcano in Tonga has sent shock waves halfway around the world. It highlights the threats of climate change. How will climate disasters like that in Tonga affect the global economy? Perhaps we can give a final round of answer from all of you.

M. Ayhan Kose: Inflation is a problem everywhere and is already a bold central bank target for how inflation affects emerging markets and developing economies. Rising inflation hits low-income workers particularly hard and food prices have risen significantly. We have a food crisis in a number of low-income countries.

It turned off emerging developed economies, which experienced a double-digit food inflation. It's not just general price pressures for the bank. Focusing on developing economies, we are looking at this aggregate price pressures, which constitute a significant challenge. On the one hand, growth is slowing. On the other hand, many emerging and developing economies are withdrawing policy support, partly to contain these inflationary pressures. In addition, because of high debt and deficits and rising financing costs, the majority of them are reducing fiscal support measures. Now, pressures will tighten much faster and have serious implications for emerging markets and developing economies of these pressures in advanced economies have significant implications for emerging and developing economies. Because the US Fed is tapering its asset purchases and getting ready to increase interest rates, because of much higher than expected inflation readings, global financial conditions will likely tighten, which will affect emerging and developing economies. Policy makers need to think about how they can calibrate their policies, making sure policies are credible and ultimately making sure that they are able to flexibly approach changes in advanced economic policies by putting in place domestic measures. That starts with having strong macro policy frameworks about the question.

Martin Raiser: I think there's only the question remaining in China's economic performance in 2021—the large rebound that carried over into the high growth rate of 8.1% that we saw at the end of the year. That growth is now declining towards its potential in the context of a difficult global environment, so policymakers need to be flexible. But most importantly, policy needs to remember that the key challenges for China really are how to ensure sustained growth over the medium term, how to rekindle productivity growth, how to

ensure the private sector drives economic growth, and how to ensure that growth is consistent with reductions and inequality, all with a greener and lower carbon footprint.

Henry Huiyao Wang: Thank you, Martin. Ekaterine, do you have anything to add?

Ekaterine T. Vashakmadze: I just wanted to add a couple of words on the natural disaster that recently occurred in Tonga. I'd like to touch on two aspects. One is for the world and the other is regional. We know that small island economies were disproportionately hit and will continue to be hit hard, and this difficulty will remain with them over the next period. Why? Because although the goods trade has recovered, tourism may remain depressed over the next couple of years. We have seen that per capita growth has experienced a convergence between developing countries and advanced economies, but island economies are part of a group of countries where actually growth diverges. We calculated that at this stage there is about a 2% divergence in income from advanced economies in the case of growth because of the pandemic. You add to that natural disasters and it shows just how huge is climate risk is and how it is damaging these countries.

Henry Huiyao Wang: I think we have covered quite a range of issues on risks that range from the current pandemic, which we're currently experiencing, as well as climate change, but at the same time we also need to try to avoid geopolitical risk as well.

I think we should really focus on the global economy and growth as well as policy adjustment. The World Bank and all the other multilateral agencies should work together with the different regions and governments to secure common prosperity, avoiding as much as possible these potential challenges and other areas of risk we've mentioned.

I would also like to say that we would like to continue our cooperation with World Bank. With this continuous cooperation, we can really provide more accurate information for decision makers, the policy community, academia and the business community here in China and around the world. So once again, thank you all.

Managing Trade

The modern-day global trade network is without doubt a direct product of the pathway globalization has taken since the mid-20th century, based in the Bretton Woods system and institutions like the International Monetary Fund and the World Trade Organization, which were established by dominant Western economies after World War II to manage global trade.

However, the fundamental changes that are happening both geopolitically and economically around the world have brought the need for a reimagining of global trade and a reformation of institutions and systems to the forefront. One fundamental and very practical consideration is the impact of technology in areas like the digital economy and artificial intelligence. Standards for the software and hardware, as well as regulatory structures to manage these emerging industries have yet to be integrated into global trade management structures.

Meanwhile, the digital economy and other emerging technologies have the potential to skyrocket emerging economies to the next level of development by overcoming many hurdles in global trade by linking them directly to global markets. This is especially true of African economies, which have long been restricted to channels managed by established economies. If they were able to sell directly to consumers in economies around the world, it would open new doors for the countless small and medium business that make up the majority of African economies.

Ultimately, the goal of managing global trade should be to make it prosperous for both people and the planet, ensuring that all people in all economies have access to the resources of global trade, while also putting in place regulations and oversight that ensure that development is sustainable both socially and environmentally.

Reimagining the International Trading System for Re-Globalization

A Dialogue with Pascal Lamy

Henry Huiyao Wang and Pascal Lamy

As one of the biggest beneficiaries of globalization and the current global system, China is keen on seeing it continue to flourish. However, the current instability in global trade and the turn toward reshoring and protectionism across the world requires a reimagining of the international trading system and a new conception of what globalization means.

During this dialogue, CCG President Dr. Henry Huiyao Wang, Pascal Lamy, and experts with practical experience in fields related to globalization and trade economics, provide unique perspectives on the challenges facing the global trading system and their impact on the world.



Henry Huiyao Wang in dialogue with Pascal Lamy at CCG's Beijing office

Pascal Lamy is the Vice President of the Paris Peace Forum, Coordinator of the Jacques Delors think tanks (Paris, Berlin, Brussels). He was the longest serving WTO Director-General so far (2005–2013). Between 1999 and 2004, he was the EU Trade Commissioner. He holds degrees from the Paris based *École des Hautes Études Commerciales*, the *Institut d'Études Politiques* and the *École Nationale d'Administration*. He began his career in the French civil service at the *Inspection Générale des Finances* and at the Treasury, then became an advisor to the Finance Minister Jacques Delors, and subsequently to Prime Minister Pierre Mauroy. He served as Chief of Staff to EU President, Jacques Delors between 1984 and 1999.

Yongfu Sun is CCG senior fellow and former Director-General of the Department of European Affairs, Ministry of Commerce.

Wenhua Ji is a Professor at the School of Law, University of International Business and Economics (UIBE)

Siqi Li is Associate Professor of the China Institute for WTO Studies, UIBE.

Climate and Digital—finding common ground on divisive and decisive issues

Henry Huiyao Wang: Pascal, you are a champion of global governance reform and I know you have led many groups toward that goal. You've just come back from COP28 in Dubai and I understand you chair the Climate Overshoot Commission, which is a very interesting initiative. You've proposed the CARE reaction, which works to cut emissions, adapt lifestyles, remove carbon, and, of course, explore geoengineering. Maybe you can elaborate a bit on your views on the climate change challenges and give us some updates and takeaways from COP28.

Pascal Lamy: I believe environment, climate change, and biodiversity degradation are our number one problem. When I was 40 years old, I thought social justice was our top problem and while I'm not saying it's not a problem, I think now collectively, climate change is a life-or-death issue for this planet, so it's become our number one problem. Biodiversity is a big problem, but science is more divided on biodiversity, notably because bio systems have an inbuilt capacity to morph or regenerate which physical systems do not have. This is why climate change is the number one problem today and why we need to ramp up our game—because we are late.

The Climate Overshoot Commission, which the Paris Peace Forum created and I had the privilege to chair with a lot of old luminaries of my kind, the majority of which came from the Global South, marking the first time ever that a global body looking at climate issues was composed of the majority of people coming from the Global South. I can tell you it changes a lot of the discussion and vision. We did it because we believe the risks of overshooting 1.5 are now

extremely high, as the science tells us. The open question is: how much will we overshoot it and are we able to regain the necessary trajectory? Do we still have the capacity to decrease this 1.5 augmentation of temperature once we've done it? This is the open question. The conclusion of these two years of deliberations is that we have to look at all the options—cutting emissions, adaptation, removing carbon, and explore geoengineering, which is a very controversial topic. What we recommend is that these options be considered together with the trade-offs they may imply.

Of course, this is quite a bold proposal. The discussion in Dubai was for the North to phase out fossil fuels and at that time they might have found a compromise, but they didn't. We proposed things like payback obligations, for instance, which is a big innovation in the way we would handle climate change so that we would not just cut emissions but also remove carbon. We also proposed exploring geoengineering technology, including solar radiation modification (SRM) with a moratorium on risky experiments, because some of these experiments can be very risky.

The trade side of the report is minimal. I did not want to bother my colleagues with my trade issues, although we proposed to create a comparability forum within the WTO where countries have different trajectories, different policies, and different ways to use it, while also preserving some sort of coherence within the way countries address their decarbonization trajectory, which for the moment is not the case.

I think and I believe that the WTO should be more affirmative. The director general is only running things within a certain number of parameters and I personally believe that developing countries are wrong to resist a discussion on this within the WTO, as I believe developed countries are wrong to resist a discussion on this at the Paris Agreement COP. The problem is there and if you refuse to address it for matters of principle in one organization and the others refuse to address it in another organization, it's typical diplomatic blockage, which makes absolutely no sense.

So, the first thing to do is to discuss this issue around the table, both in the WTO, which is a trade-related organization, and in COP, which is an environmental-related organization.

Henry Huiyao Wang: We need to find a compromise and find a solution to address this issue, which is very urgent in the world agenda. Of course, France was the place where the Paris Agreement was reached almost a decade ago and it's really important that we continue that.

I know you've also been championing digital and we're both on the digital steering committee for digital global governance. Europe, the US and China all have different standards, but the digital world is already a reality and it's something the WTO hadn't addressed enough in the past. Since it's the driving force of the global economy and China is the second largest digital economy with 1 billion smartphone users and 70% of the 5G systems in the world, how do you see this transition to a digital world?

How do you see global digital development and how can we keep it from becoming divided, particularly in terms of standards and governance?

Pascal Lamy: I believe a digital world would be ideologically fragmented, whereas the anatomical world would be much more flat. A bicycle is a bicycle everywhere on this planet; a shirt is a shirt; a shoe is a shoe; and a cow is a cow. There is no big ideological difference.

Data are an issue which people see very differently depending on their philosophical or political or moral positions. You don't have what intellectuals call cognitive dissonances about cars or shoes, but you have cognitive differences between countries and civilizations on data, which is why we have, for the moment, a Chinese system, a US system, and an EU system. These differences in the systems stem from philosophical differences. We all have good reasons to stick to the values which we believe in and under which we have been educated and shaped.

There is one big question mark in this triangle: where will India go? India is potentially a major digital power. I doubt that India will go Chinese and maybe it will go with the US or EU. After all, they may all have their domestic market that allows economy of scale and that would make sense. The difference between the previous world is that, inevitably, the regulation of the use of data, privacy, storage, accessibility, transport flows, and controls are different. There will be only limited convergence.

But there is convergence. If you look at the way China regulates platforms to avoid excessive market power, we do it exactly the same way in Europe, for exactly the same reasons. Our digital competition attitude is very similar. It is different in the US for the moment, but as you know, it's changing. In some areas, we will have at least compatible, if not similar, attitudes. In other areas, we have to forget convergence and settle for coexistence. In the digital world, coexistence means technical interoperability for software and hardware.

This is where the WTO comes in as one of the levers. We will not level the playing field, but we will avoid deleveling of the playing field for the reasons I repeatedly gave. Inevitably, a divided system in a global market capitalist system is more costly than a level system because of simple reasoning on economies of scale.

However, the WTO is not the only international organization that can try to make the system interoperable. The ITU has a role to play and I think organizations like the Paris Peace Forum, where you have not only sovereigns but also big multinational companies, NGOs, major academic institutions, and think tanks, can also help move this in a compatible direction. But the WTO should intervene where there is necessary space for facilitation, compatibility, and interoperability. This should be the focus.

That being said, I don't think the WTO should tell the EU, China, or the US how they should regulate. This is an issue for them to decide. But adjusting the interstices is where the WTO should step in.

Henry Huiyao Wang: That's a very good insider's view. The Paris Peace Forum has done quite a lot in terms of bringing all the players together and you've proposed many good suggestions in terms of how different systems can coexist and where the WTO can play a very important role.

Benefits and Dangers of AI and Global Regulation

Henry Huiyao Wang: I recently noticed that the EU has released some new standards and a new agreement on AI. What are your views on AI now? It was a topic of discussion during the meeting of President Xi and President Biden in San Francisco, and Graham Allison sent me an article he authored with Henry Kissinger, the last piece that Dr. Kissinger wrote, on the AI threat if human beings are unable to control it.

What do you think of AI and how can China, the US and the EU work together on the future of AI to determine whether we can harness it or whether we will be controlled by it?

Pascal Lamy: I'm an optimist, which does not make my life easy at the present time.

I believe AI offers huge opportunities in areas like science and medicine. I also believe AI entails risks, notably because the more sophisticated these algorithms become—and they become more and more sophisticated as they learn—there are risks and these risks need to be regulated by sovereign nations.

I'm not saying they should be regulated forever. Things are changing incredibly rapidly and people argue that it's impractical to regulate today a world that's going to be totally different five years from now. But I don't buy this argument. We can be easily polarized by quarrels and errors. I think that the public needs to believe that AI is something which is governed, harnessed, in a way that it will not turn against humans or normal political public goods. So, we need to regulate it, but in different ways.

We all do it. The US did it with an executive order recently, which is of good quality. The Chinese system is quite sophisticated and very advanced, and the EU just agreed on a legislative package last week in Brussels, which is in a way more precautionary than the US or China, but this is our culture, which is more inclined to precaution and less to risk. There are good sides and bad sides to that, by the way. So, the question comes back to: what do we do with different regulations?

The good thing is that we all believe that there are risks, and the nature of these risks, which the regulations put down by China, the EU or the US address, are quite similar. What differs is the spectrum of what is considered risky and what is considered not risky. We all recognize that we need to regulate because of risk, but risk is a scale between good and bad. Whether something is more risky or not, worse or better, good or bad, is something that is fundamentally moral or philosophical. It's not something a machine can tell you.

So, that's the issue. Then we have to try and make sure that regulating AI does not fragment our digital world too much. For the moment, there are elements of fragmentation, but there is already a G7 working group and China has launched its own forum, while the UK also just invented another one. The G20 will probably do this at some stage too. In a way, this is inevitable.

But in the long-term we need more convergence on this. I had a long discussion with the UNSG in September when I gave him the Climate Overshoot Commission report and he is of the view that the UN should create a body with enough muscle to oversee the way AI is regulated. And I agree with that. It's something which, again, we will have in common. We have our differences in the way we handle this, but we need an overarching system that limits divergences and at least organizes co-existence.

The Centre on Regulation in Europe (CERRE), which released their first report on global digital ecosystems at the Paris Peace Forum in 2022, is now working on a new version, this time with separate briefs, the first of which appeared ten days ago in Brussels before the legislation was adopted.

Regulation and Three Problems Facing the WTO

Henry Huiyao Wang: It will be interesting to see how we can really get different major economies working together to reach some level of convergence, possibly through the WTO.

You are one of the key architects of global governance in many ways, especially in terms of climate, digital and AI. But what about the WTO?

The 13th Ministerial Conference is coming up in Dubai early next year and the WTO is still a very important driving force of globalization with China probably its largest beneficiary along with many other countries. But the WTO has many challenges, not least is the fact that its Appellate Body has been basically paralyzed and it's difficult to reach new consensus, even though progress was made on fisheries and trade liberalization.

I think in the end, we have to be realistic. We have so many divisions and so new issues coming up, but we don't have a strong organization in the WTO, which has greatly changed the world in the past 70 some years. We still have to work together. You served as a director general at the WTO for eight years. How do you see the WTO moving forward and what can China, the EU and the US, and the Secretariat of the WTO, do? How can we really improve the WTO?

Pascal Lamy: So, quickly, we have three problems.

The first one is credibility, because of the way the dispute settlement system has been paralyzed by the US. This stems from an incorrect interpretation, in my view, of the WTO statute. It was interpreted in a way that the nomination of judges to the Appellate Body needs to be done by consensus. This is not what the charter of WTO says, but for a variety of reasons, it was accepted that they should interpret it this way and nobody else has made a strong enough case that

that was not the correct interpretation of the WTO statute.

It is also a procedural matter. Nominating seven judges in a body is not something that needs consensus or unanimity, but let me put that aside. We have a problem in that, for the moment, the enforcement mechanism, which is the distinctive feature of the WTO, is paralyzed.

There are several problems here. First, if the US recognizes what they accepted in signing the WTO agreement in 1994, then the dispute settlement is binding on the members and the losing party has to comply, otherwise, there will be measures. If they stand by this commitment, you lock ten WTO negotiators in a room for two days and they come out when they have an agreement. But if the US does not recognize their commitment, then we are in a totally different world and since we need a binding dispute settlement for all the members, this would mean *de facto* that the US would be stepping out of the WTO.

The second problem is the way the WTO works and the balance between the authority of the Secretariat and the DG and the authority of the members. The idea that the WTO is a member-driven organization does not make sense. Of course, it's driven by its members like any international organization in that it is created and agreed and framed by the members. But it is impractical to say that any serious decision needs consensus of the members and that the DG or the Secretariat has zero authority to table a proposal to fix a trade problem that exists and has been identified. The people in the Secretariat are incredibly good experts. They know the countries, they know their position, they know the problems—and leaving them out of the negotiating system is an absurdity. Without them, you lose an enormous capacity to do things properly, quickly, scientifically, expertly, and politically.

But this rebalancing is not in the cards, because the members want to stick to the notion that they decide everything. I often think of a cartoon that was given to me by a former WTO DG when I became DG. He was an Australian and a very witty guy and very good caricaturist. He gave me a cartoon with a tree, well-drawn with a nice big trunk and nice leaves. A car had crashed into it and the car was all over the place, totally broken. The caption said “member-driven car.” I always kept this cartoon in my office at the WTO.

Currently, it's a bad system that needs to be fixed and rebalanced if you want it to work like a normal organization where there is a division between political authority and technical proposal.

Third, we need the WTO to address the issues I've mentioned, like trade and environment, like digitalization, like economic security, like subsidization, which has been there for a long time but now is a bigger problem than before because in the past only China was heavily subsidized. Now, the US is subsidizing as much as China. This has become an enormous problem for many poorer developing countries, because in a subsidy war, they will be the losers.

So these issues need to be addressed and if you tick these three boxes, you will go back to a normal situation where global market capitalism has a properly regulated multilateral trade system in which obstacles to trade are addressed in a negotiated, fair way.

Pascal Lamy in Dialogue with CCG Fellows

The Future of the CAI

Yongfu Sun: I served as the DG of the European Department in MOFCOM for 12 years we had very serious discussions concerning China-EU trade-related matters. I have two questions for you.

The first is that, from January to October this year, China-EU trade fell by 7.5%. This hasn't happened for at least 30 years. In my time as a DG for the European Department, we had very good economic and trade relations and the EU was our number one trading partner for 16 consecutive years without this kind of decrease in our bilateral trade.

What do you think the reason is for this phenomenon? Is it a short-term situation because of shrinking demand on both sides and the not-so-rosy economic situation in the EU and China? Or is it because of the EU defining China as a partner, competitor, and systemic rival? Does it make some sense that EU-China economic relations have suffered because of that rivalry?

My other question is about investment. The so-called Comprehensive Agreement on Investment (CAI) was finalized in 2020 with President Xi and EU leaders announcing that discussions on CAI were concluded. But because of so-called human rights issues in Xinjiang and other geopolitical issues, CAI seems to be dead. Do you see any possibility of revitalizing CAI and move it forward in a realistic way? Do you think that CAI will get back on track in the next five or ten years?

Pascal Lamy: So on the first question, I think this decrease in bilateral trade stems from three factors.

One is weaker investment in recent years. EU investment in China has decreased consistently for the last four or five years. Basically, big companies have remained in China and keep investing, notably German companies, but the inflow of mid-sized companies' investment has dropped. The reason behind that is the perception in European public opinion that China is less secure than it used to be. Of course, politics is a big factor and there is an inevitable trade consequence in terms of the slowing down of investment flows. The second is that there still are serious obstacles to trade and investment in China. I created, when I was European Trade Commissioner, the EU Chamber of Commerce in China. If you read the report of the EU Chamber, there are still too many obstacles to trade and investment from the EU into China, including areas where the investment regime for EU businesses is less favorable than for US companies. And third, there is the weak economy on both sides, which, of course, matters.

Now, on CAI, I will be very candid. China overreacted to a resolution voted on by some members of the European Parliament. China also overreacted with

Australia when it asked for a body to investigate the origins of Covid. China overreacted when Lithuania did something that could have called the “one country, two systems” into question. I will not say more because we all know that within the Chinese system, in this sort of cases, some say take it easy and others say no, and there is a problem that results in frightening chicken to make sure the monkey understands it. But that’s how it works.

EU’s Role in Driving a WTO Resolution Despite US

Wenhua Ji: I met you when I worked on China’s admission to the WTO and you frequently asked us to nominate a chair to the panel.

We all know the problem is that the US is blocking the nomination of the Appellate Body, which has paralyzed it and there are no incumbent members. You mentioned two possible solutions. One is that the US rejoins the consensus, which means they accept the binding nature of the WTO agreement. Another one is that the US is ousted. Of course, the latter situation is not optimal and would cause major damage to the multilateral system, not just the dispute settlement system.

I personally made a compromise proposal, because it is clear that the US has no intention of leaving the system, but it does not want to support the re-establishment of the Appellate Body. This at least means the US is willing to accept the binding nature of the WTO, but whether this is their real intention will be seen during the MC 13.

My question is, while the intentions of the US are important, what role the EU would like to play? China’s position is very clear. In bilateral forums and multilateral forums, China has said consistently that we wish to have a two-tier binding system. The EU is also a proponent of the binding system and a main proponent of the MPIA (Multi-Party Interim Appeal Arbitration Arrangement). However, as the G7 trade ministers declared recently, the G7 members only repeated the language in MC 12 without any further explanation.

So from my perspective, I don’t see the EU as a main player who wishes to put further pressure on the US to compromise or make its intentions clear. I am a little bit concerned about the position of the EU on this issue.

To put my question more clearly, if we cannot make any progress on the dispute segment issue at the MC13, will the EU leave the question as it is, or will the EU work with China and other members to put more pressure on the US?

Pascal Lamy: I think we have to go back to the essential question, which is whether the US will accept the binding nature of the DSM (dispute settlement mechanism) or not. This is unclear and it is the defining line between an acceptable solution and a non-acceptable solution for the others, including the EU.

I was chief of staff of the President of the EU Commission when the Uruguay Round concluded with the Marrakesh Agreement. The binding nature of dispute

settlement was a very last-minute addition, which was negotiated between my predecessor, Leon Brittan, and Mickey Kantor, who was then a USTR (US Trade Representative), on the instruction of Mr. Delors, who said we needed a binding dispute settlement mechanism. Leon Brittan did what he was told to do, but he's British, so the notion that we would give the WTO a sort of supranational authority was not very familiar to him. But he accepted it, and he convinced Mickey Kantor, who was a very shrewd guy, to accept it as well.

Then Mickey Kantor went to the US Congress at the moment of ratification and said, "well, don't you worry, look at the wording. It says that determinations must be adopted by the members." He didn't insist on the fact that there is a footnote that was added and says the losing party cannot oppose the consensus, which makes all the difference. Of course, if the losing party cannot oppose the consensus and a decision is made against the losing party, then it has to comply. So Mickey Kantor was very clever.

But the fundamental issue behind all this is whether or not the United States of America accepts what they have never accepted before, which is the binding authority of a supranational body. Now, I would never put things in this way in Washington, because they would be terrified at what they did. But this is the real issue.

Now, Mickey Kantor was able to convince Congress because he said, "we need a system that will make the others abide." Saying that this would be good for the US, which is absolutely true, but of course, it's good for the others that the US abides.

So this is the key question and a major political problem for the US. If I were trying to convince Congress, I would say that if the system does not oblige China to comply, then it's a bad system. And they would say, oh yes, that's absolutely true.

If this issue is solved, I think the rest will follow, but for the moment the EU is holding a tactical position. If the US makes it clear that it remains binding, they will be flexible in their position. But, I also believe that if China were publicly more outspoken on the fact that the system has to remain binding, this would be good for negotiations and good for China.

China's Role and Prospects for a JSI Approach to WTO Reform

Siqi Li: I have two questions. The first question is regarding the power transformation in the WTO. We all know that there is a leadership deficit in the WTO due to the shifting position of the US. But actually, this power transformation has already taken place since China's accession to the WTO during the Doha Round. What's your perspective on China's current role in the reform agenda? Is it possible for China and other emerging economies or developing countries to form a collective leadership role in this reform agenda? My second question is regarding the prospects for the WTO. We all know that we are facing a consensus-based deadlock in multilateral negotiations. Some

countries have a feasible alternative in the JSI (Joint Statement Initiative) negotiations, but there is opposition from certain developing members like India and African countries who question this dual-track negotiation approach in the WTO. What is your view on the JSI approach? Could this be a mainstream negotiation model for the WTO? Thank you.

Pascal Lamy: On the first one, I think the political reality is that the feeling has prevailed for years in China that its accession ticket has been overpaid. I negotiated the final deal with Premier Zhu Rongji himself and I can understand why in the Chinese system there is a remaining view that accession was paid. It is absolutely true that if you compare the level of development of China in 2000 to Brazil or India or other similar countries at the time, because their trade regime was less open than China's. As a consequence of that, China never was very proactive in moving to a further round of liberalization. The best evidence of this is that each time there was almost an agreement during the Doha round, China would say, "I'm a recently acceded country, so I need a rebate." That's the reality.

However, there are areas where WTO rules are weak and do not constrain China enough, in my view, which is also the view of many countries on this planet who are not as rich as China and cannot subsidize their production system. China also knows that if there were to be a new push for opening trade, subsidies would come into the discussion and China made sure that they would not be exposed. If you add these two elements, it explains a certain passivity.

This is not to say that China did not abide by its commitment. It did. And I've always said that publicly when I was EU Trade Commissioner and when I was DG of the WTO. The notion that China cheated its way out of accession responsibilities and did not properly abide by requirements is not true. China did fulfill its obligations.

But in terms of subsidization, the obligations of China were not strong enough. The ones who are responsible for that are people like me and the USTR and the Japanese trade negotiator at the time—the big shots that negotiated China's accession. At the time, we overestimated the value of market access and underestimated the value of binding rules on subsidization because we were appetized by the opening of the Chinese market, and rightly so.

The pressure on my back as a negotiator was not about subsidies, it was about opening and what was not open enough, like telecoms. We did not pay enough attention to subsidies and thought that the course which had been initiated by Deng Xiaoping of reform, opening, and privatization, would be pursued. We were wrong.

From 2010 on, China changed course and readjusted the proportion of the state-owned sector in the economy and subsidization. We made an error in not properly forecasting what China would be like 20 years in the future. I wrote this in a piece that was published a few months ago, when the US trade negotiator and myself discussed the issue of subsidies. Were both in favor of moving more aggressively on subsidies, but the lawyers told us, "Be careful if you

start shrinking the stitches of the net of subsidies, because our subsidies will be caught; Airbus and Boeing, for instance.” We wrongly listened to our lawyers when they told us, “Be prudent, be careful. We will be caught.” That’s the basic explanation of this situation where China abided, but really did not ask for more.

Now, regarding your second question, given the implications of removing trade obstacles for countries, you cannot impose a decision on the US, China, Europe, or India, but rather reach a consensus between these big players in trade. Consensus is not unanimity. There is a big difference. Consensus is something you build, and the chair says, “I believe there is a consensus.” If somebody objects, they can disagree. Unanimity is totally different. Unanimity is when all agree, “Are you all in agreement? Please raise your country’s tax.” This is a totally different group dynamic. So, consensus is something you can build, and roughly speaking, if you have an agreement between the major players and leaders, it’s a done deal.

I’m sure Uruguay or Thailand would not agree with me, but experience shows that if this group agrees, there is a balance That’s how it works. So, dwelling on consensus or majority is not the right issue to focus on.

Making Trade Work for Prosperity, People and Planet

A Dialogue with Arancha González Laya

Henry Huiyao Wang and Arancha González Laya

For millennia, trade has provided a way for resources, goods, people and knowledge to travel to the farthest reaches of the world. As globalization has evolved over time, trade has also grown and changed. In the latest evolution of globalization, it is essential that we continue to ensure that trade work to benefit the economies of the world, the people of the world and the planet itself.

In this dialogue, Dr. Henry Huiyao Wang and Arancha González's discussion cover topics including trends in global trade, the current status and future of the World Trade Organization, the current situation and challenges in China-EU relations, and women's leadership.



Henry Huiyao Wang in dialogue with Arancha González Laya at CCG's Beijing office

Ms. González is the former Minister of Foreign Affairs, European Union and Cooperation of Spain and the first woman to lead the world's third school for Politics and International Studies at Sciences Po. Prior to joining PSIA, she served as Spain's Minister of Foreign Affairs, European Union and Cooperation (2020–2021). She previously was Assistant-Secretary-General of the United Nations and Executive Director of the International Trade Centre (2013–2020). Between 2005 and 2013 she served as Chief of Staff to the Director-General of the World Trade Organization, Pascal Lamy. Before that she held senior positions at the European Commission in the areas of international trade and development. Ms. González has been a member of PSIA's Strategic Committee since 2017.

The Future of Globalization

Henry Huiyao Wang: The world has changed a lot and geopolitics has changed a lot. So, I'd like to talk with you about where you think the world is going? The Bretton Woods System, including the World Bank, IMF and WTO, has really carried us for a long time, but now it's facing a lot of challenges as the world fragments into different regional trading blocs. Can we overcome this trend? The WTO has been the backbone of globalization. I'd like you to give us your views on how we can promote globalization, and how you see globalization going forward?

Arancha González Laya: It's true we are seeing a lot of narratives about globalization that go in the direction of division and fragmentation. We hear about de-globalization. We hear about friendshoring. We hear about reshoring. We hear about fragmentation. We hear about pluralization. And the noise is very loud.

However, when we look at the data, for now, the data is not showing that. Data is showing much more resilient economic ties that are in some ways probably moving from one country to another, but not necessarily going back to the national. The rhetoric is very nationalistic, but the economic data is still showing interdependence. Maybe this is because the global connectivity that we have built over the last decades is very sticky. It's very difficult to undo because it has a logic in terms of comparative advantages based in value chains that have been invested in heavily by companies in the last decades to make them work. We are seeing a divorce between the narrative that is going in the direction of division and the data that still shows a lot of interdependence. I guess our task is to make sure that our policies are not driven by rhetoric, but by some sort of understanding of the economic opinions of our view.

It's clear that what we have at the moment is a tension between two worlds. On the one hand, we have the world of security, which is pretty much a zero-sum game. On the other side, we've got economics, comparative advantages and value added, which is not a zero-sum game. It's more win-win. So how do we find a new balance between those two worlds—the world of economics and the world

of security? This is the task that we have to face.

There are many reasons we have to find a new balance, not least are climate change and climate resilience. We have to make businesses understand this very well. They cannot make their value chains solely focused on efficiency; they have to make them climate-proof. They've got to invest more on the side of security for climate reasons and probably be a little less efficient but more capable of resisting the impact of climate change. The raw materials sector is also subject to a lot of concentration of production in various specific locations around the world. It is fair that countries want a bit more diversification in order to increase their sourcing security. The quest for security is an important one and I don't think we can disregard it, but neither can we disregard the other part of the equation: economic efficiency. In my view, this is the conundrum we have to deal with today.

I have not spoken about technology, but I'm sure we'll have ample time in this conversation because security in the technological space is a significant part of where we have to find this new balance and get it right if we are to continue benefiting from this win-win that can be international trade and open markets.

Henry Huiyao Wang: I find your perspective is very compelling. The law of economics has its logic, a rhythm, and a powerful momentum. Sometimes people put more importance on other things, but our integrated economy is actually very resilient. So far, we haven't had a third "world war", despite the increasing threat, which is mainly because of stable trade, investment, flows of people and labor flows for the last 70 some years. I mean, globalization has actually prevented World War III and economic activity has made the world more prosperous.

You mentioned how we need to really stick to economics and trade. China is a good example since it's benefited from global trade and been able to lift 800 million people out of poverty. After China joined the WTO in 2001, its GDP went up twelve or thirteen times and that's exactly because of this openness. But now we have regional trading blocs on the rise with agreements like the RCEP, CPTPP, and NAFTA, or now USMCA. Do you think regional agreements will improve WTO performance or are further fragment regional trade? What about plural regionalism?

We also have BRICS countries on the rise as well as the Belt and Road. Do you think regional free trade agreements can be upgraded, like making the CPTPP into another WTO. The UK has already joined the CPTPP and China wants to join as well. I'm a little puzzled on these two fronts. What are the challenges that the WTO faces? Maybe you can share some of your expert views.

Megaregions and New Models of Globalization

Arancha González Laya: I would say that what we are witnessing is a lot of activity on what we could call megaregions with significant regional agreements. You've mentioned a few in Asia, whether it's RCEP or CPTPP, which are

megaregional agreements around the Pacific. There are other megaregionals, like the African Continental Free Trade Agreement, which is a big regional pact covering the entire African continent. The idea here is that it's crucial for African countries to enhance intra-Africa trade, which currently ranks as the lowest in the world for any region due to the numerous obstacles that still exist. Additionally, there is Latin America, which is working towards integrating the Latin American continent and the Alliance for the Pacific, involving several Latin American countries that face the Pacific.

I believe all of this is positive. It demonstrates that open markets still hold considerable appeal. It indicates that many countries still believe it's better to reduce trade barriers than to erect new ones. I think this is a crucial signal. Particularly significant are these signals coming from regions where international trade wasn't a major topic in the past, like Africa. In my opinion, this sends a very important message, because these are parts of the world where international trade isn't very popular.

Now, the question to me is not so much about whether we should decrease megaregional activity; I don't believe we should because I think it's beneficial. The real question is twofold: how can we better organize the coexistence between these different megaregionals and the WTO, and how can we work to ensure that many areas where these megaregionals are looking to establish rules can be more synergistic, so that we don't merely open markets at the regional level, but attempt to bring all of this together coherently?

Consider, for example, a sector like rules on digital trade. Several of these megaregionals are contemplating rules on digital trade, which is very positive. However, at some point, we will need to explore how these various regions can be harmonized, possibly within a WTO framework. So, to me, it's not so much a question of having to choose between regional or multilateral approaches; it's about how we can better organize the coexistence of these different approaches. I mean, there's this American expression that goes "You have to be able to walk and chew gum at the same time." So you need to be able to "walk" in terms of regional trade opening while also "chewing gum" by investing some political energy into the World Trade Organization.

Henry Huiyao Wang: We know the WTO has been under a lot of pressure, especially during the Trump era, and now it's trying to reach more of a consensus. At the last WTO Ministerial Meeting they achieved quite a bit on fisheries, investment liberalization, trade, and plastic in our oceans. It seems the WTO is really moving into new areas like digital technology, green tech and the environment.

But what do you see in new technology areas like AI and data flows? We have seen many new challenges and there's no global consensus. Do you think the WTO could spearhead research to build a new theory, or at least summarize current practices, and then try to reach a new consensus? Is this really the WTO's role? What new things are there to really look forward to that can bring the world together? Otherwise, we'll continue to see different trading blocs doing things

differently, which could be a challenge as well, especially in terms of digital economy, data, technology, and investment liberalization.

Arancha González Laya: We can take a very simple lesson from the recent success of the World Trade Organizational Ministerial Conference, which is that when China, the US, and the European Union can find points of convergence, they unleash a lot of energy that can lead to a good result. Obviously, they are not the only stakeholders, but if these three big players in international trade, each representing 13% to 14% of international trade today, can find a point of convergence, it's important. Let's not hide where the difficulties lie. Let's acknowledge that technology and digital trade are challenging areas. However, if these three come to the WTO with the idea that they have to do something, to contribute something and to achieve something cooperatively rather than in a conflictual manner, then we have good ingredients to succeed.

However, today these three partners are not in the mood for transacting. Understand that transacting doesn't mean agreeing with the other, but you do have to give a bit of away for the other to give a bit away, so that everyone can come to an agreement. If the disposition is not there, it's very difficult for the WTO to achieve a result when these three stakeholders, who represent a significant portion of international trade, are not ready to be flexible and see the value in sitting down and negotiating. Again, negotiating is not about agreeing with the other; it's about being willing to give something up to ensure that others also make concessions, leading to better results. That's how you build a trade agreement. So, if this disposition is not there, it's going to be very difficult.

The big question is whether these three big partners are ready to respond positively. This is where, in my view, we need to invest some political energy. It starts with the idea that pursuing win-win outcomes is far superior to entering this conversation with a zero-sum mentality.

Henry Huiyao Wang: That is definitely the case. A few months ago, I hosted these three largest economies, and three largest emitters, at a climate roundtable. I invited the Chinese climate envoy, Minister Xie Zhenhua, Nicholas Burns, the American ambassador, and Ambassador Toledo from the EU. If you can get the three biggest economies to talk together, it would make things easier. So, building global trust, particularly among these three, is so important. That's why I'm glad to see so many international leaders, particularly from Europe and the US, coming back to China.

Strengthening and Leveraging China-EU Relations

Henry Huiyao Wang: We're going to have a China-EU summit pretty soon and we hope that there will be more strengthening of China-EU relations. We both have great civilizations and a Silk Road that has connected us for 2,000 years. We don't have any geopolitical conflicts or border issues. How do you think we

could strengthen the China-EU relations?

Arancha González Laya: I think there are many reasons why this is an important relationship both for the EU and also for China. If we start from the premise that we are both important to each other, then how we manage this relationship will matter in terms of much we can translate this potential into reality. Take climate change, an area that Europe feels very strongly about. It is not ideological. It's basically because the younger generation in Europe wants the fight against climate change to be priority number one. They see this as an existential threat to them and as an intergenerational issue. They think that if we don't take the measures that we should take today to protect our climate, they will be on the short end of the stick. I'm sure that if we ask this question in China, the answer will be exactly the same.

This means we have a big space to work together in the fight against climate change. Of course, this means decarbonizing our economies, but it should be done in a fair manner, making sure that we take into account who's been historically polluting more and who has a historic responsibility. But we must also be very clear that if we do not translate this desire to reduce emissions into action today, it's not going to work for tomorrow. We all care about protecting biodiversity, marine spaces and the polar caps. I know for a fact that Europe and China have been working together in protecting biodiversity, because they care about it. I know that we also care about international trade continuing to be an engine for our respective growth. There are many spaces where we find points of convergence and I think the task ahead is to move beyond telling each other nice words and start taking measures that will translate this desire that we have to strengthen our relationship into concrete action. This is where we need now to put the little effort: taking concrete action.

So, let me focus on one area that I know best—international trade. I think we have the ingredients to make those relationships more solid. But I don't think we're there yet. If I look at international trade, I see a growing deficit between Europe and China. I think this can be resolved, but we have to move beyond nice words into action. My sense is that we have the possibility to do that. We are having some tough conversations at the moment in international trade, because in Europe there is a desire to keep European markets open. Why? Because it works best for us and a big part of our growth comes from open markets abroad. I think it's the same on the Chinese side. A big part of why China has been able to prosper is because they have hitched their growth wagon to international open markets. If this is the case, and I can tell you, in Europe, we want to continue down the road, then we have to look at how we can address these trade deficits and ensure sure that European companies are interested in looking at and investing in the Chinese market. They see there are opportunities here and there are fair opportunities. But also, how can we make sure that China can continue to access the European market, because there are fair opportunities for Chinese companies in Europe? This is where I think we have work to do and we should not avoid talking about the things that are less nice. It's better to tell each other

how we see it, because this is the beginning of having a conversation to address that.

Henry Huiyao Wang: I totally agree. You mentioned a lack of data support, but last year we had historical trade data with the US and data trade with the EU also has gone up. Of course, we understand that our European friends are a bit worried about the current trade deficit, but that's exactly the point. Maybe we need to strengthen trade and not de-risk too much. With this subsidy on clean energy vehicles, we have to be very cautious and ensure that it doesn't result in trade friction or trade conflict. We definitely hope to get more technology sales from the EU to China despite there being some restrictions.

There could also be more done on the Chinese side in tourism. We actually had a lot of tourists going to France, Italy and Spain, but the impact of Covid was big and we are still recovering from that. Absolutely, trade and investment and economic ties are the strong bonds that we have to maintain, just as our shared support for the multilateral system is so important. I agree that we need to strengthen trade and find a balance, but we should also relax the restrictions on each side.

The Impact of Academics and Personal Experience

Henry Huiyao Wang: You've been in the Spanish government and the WTO, among other international organizations, but now you're heading a very famous school—Sciences Po. It's at the heart of Paris, the heart of Europe, and there's such a great number of talented people working on international issues, who are benefiting from your rich experience as you direct and educate international students. So, tell us a bit about your school. I know you have a China office and a lot of Chinese students go there. A lot of people have asked me, "How did you get the Dean of the Paris School of International Affairs, Sciences Po, to come to CCG?" They're very curious about your school and your vision. What would you like to tell people about Science Po and where is it heading?

Arancha González Laya: I'm very proud to be heading the School of International Affairs at Sciences Po, which was founded 150 years ago with the idea that we need universities to think about human and social sciences and look at how important this has become, whether it's discussion about technology or the discussion about climate. Human and social sciences have to be put at the center also of our knowledge. The second characteristic of this university is that it is interdisciplinarity, which is what we need today. Take the discussion about artificial intelligence. It's not just a question for engineers. It's also a question for sociologists, anthropologists, political scientists, economists, and experts on governance that need to be brought to the table to better understand how we govern technology. The third characteristic of this university is its internationality, which is where Sciences Po has a very strong and old relationship with China.

We have relations with more than 14 universities across China, of course including those here in Beijing such as Peking University and Tsinghua University, which I'm visiting during my stay in China, but also in Shanghai, with Fudan University, and other parts of China, whether it is Chongqing or Wuhan, or Guangzhou. There is a very strong link between Sciences Po and China.

And our desire is very simple: keep the bridges of people-to-people connection. If we get more Chinese scholars to come to Sciences Po and understand and share and learn and cross-fertilize, and if we have more and more French students coming to China to do exactly the same, maybe we can create a more solid foundation on which to build stronger political, economic, and social ties. This people-to-people connection is very important.

The school that I head at Sciences Po, the Paris School of International Affairs, welcomes dozens of young Chinese every year, very interested in learning about international affairs, the international economy, international development, governance, and diplomacy, security and defense, energy transitions, or environmental policies. To support our commitment to strengthen people-to-people relationships, we have created an office here in Beijing with colleagues that are doing everything they can to convey this message and to attract Chinese students to look at studying in France. They can study in French, but also in English in France, which shows, again, this commitment to interdisciplinarity, internationality, and human and social sciences.

Henry Huiyao Wang: I'd like to ask you about the topic of women's leadership. CCG has cooperated with UN Women for the last two years in a row on International Women's Day with a big roundtable to which we invited a number of ministers, businesspeople, and representatives from various embassies in Beijing. They all admire you and are curious, from a professional point of view, what are your key success factors? How do you work internationally, but also make an impact in government, business, and academia? What are the secrets or techniques for women to be successful, particularly in terms of leadership, which is what has made you a role model for many people?

Arancha González Laya: It's a very interesting question to be asked here in Beijing, because it was here in Beijing that all members of the United Nations agreed to end discrimination against women. The Beijing Declaration was signed here. So, Beijing is very closely associated with this idea that more equal societies are stronger societies. Article 1 of the UN Charter that says there shall not be discrimination for reasons of gender, that men and women have equal rights, and they should have equal opportunities. This is a rights issue, but it's also about the solidity of our society, the solidity of our economies, the solidity of our companies, or our think tanks, which comes from letting all these flowers bloom and making sure that every person, including women, that are part of our economy, our businesses, and our public administrations, can take on the same level of responsibilities as men. I'm very adamant that we take action towards equality, because I think it ultimately makes for more solid societies.

It's not an easy discussion, but we have to ask how we can take steps forward in that direction? I think what I have found is very important is to frame this conversation. It's not a discussion between women, talking with women about women. This is not the point. It is about societies working together. Because if we make this an issue of women against men, or men against women, it ends up being a zero-sum game, right? So we end up, like geopolitics, at a dead end. We cannot make this a zero-sum game. We have to frame this conversation as being about achieving win-win results.

The second thing I would say is that, in my view, wherever we are, whether we are in the government, in administration, in a company, or in a think tank like CCG, we must take steps to anchor in our processes and our institutions, as well as our rules and laws, to make sure they are part of our governance structures. Because we may go, but those that come after us will be able to benefit from the changes that we have inserted into our governance structures.

The third thing, which is also very important, is to take whatever steps we can to help women that come afterwards and work to make sure that we inspire them, work with them, give them advice, and take the time to mentor them, passing on what we have learned, including both the good things and the less good things. I think we can all do that in our respective areas. I certainly do that a lot in the university with this younger generation. If they can learn from the path that we've already walked to the extent that it helps them, then it's good. So, be kind to women, as I learned from my great friend, Madeleine Albright, who used to say that there is this very special place in hell for women that hate other women, so be kind to other women.

The EU and China in Global Governance

Question 1: What are the key areas in which China and Europe can promote trade cooperation and cooperation in global governance?

Arancha González Laya: I think international trade has been a big win-win for both the EU and China. Again, for the EU, keeping its markets open and opening the markets of other countries has been a recipe that has worked well in the past. This obviously had to be accompanied by rules of the game to make sure that this opening was done in a fair manner, that the trade would be conducted in a fair way, and also that we would spend in Europe also in building the social safety net that would help our societies and our workers adjust to the changes that open markets created in Europe.

This is a recipe, again, that has worked well between the EU and China. If I look at China for a moment, when I started my career as a young trade official, China represented 2% of international trade. In my lifetime, China has moved from 2% to 15% of international trade. This is not a small thing, and it worked, obviously because of a lot of hard work on the Chinese side, a lot of ingenuity and creativity. But it also worked because countries were open to China's

insertion into the economy.

I think what we hear now, in Europe from many European companies, is that they would like to trade more with China and invest more in China, but they are having difficulties doing so. I'm sure that if I were to sit down with China, I would also get the Chinese side of the story. I'm not trying to take sides, but I'm trying to explain how in Europe, many companies are feeling today that trading with China is becoming more difficult. Today, China continues to increase its participation in the European market, but Europe is declining in its participation in the Chinese market. Instead of shouting about this, I think it would be useful to sit down and look at what can be done and take these complaints that businesses have—and I'm sure that there will be complaints on the Chinese side, don't get me wrong—but that we take steps to address those difficulties.

I think we have to be very attentive to overcapacity that is being built. We know that in the past, overcapacity has led to the destabilization of international markets. We saw this with steel and aluminum, and we had to, in a way, together take steps to rebalance that. I think there is the potential now for overcapacity in the green technology sector to destabilize international markets in green technology. I think we have to be attentive to addressing these difficulties before they become a trade irritant that transforms into a trade war. This for the EU-China relationship and in my experience, it's always better to sit down around the table and address the difficulties than go to the media to shout or to do bigger speeches.

Secondly, on where China and the EU could work together multilaterally, I think China and the EU care about multilateral trading. They care about having rules that will help China and the EU keep their markets open. But there are a number of questions that have become important, whether it's the link between trade and climate change, the link between trade and subsidies, or whether it's questions related to national security. Again, I think it's very important to have a positive agenda to strengthen the World Trade Organization, its rules, and its functioning. We can't just say that we care about the multilateral trading system and have to take concrete steps, like we did last year when we came to an agreement on fishery subsidies. We now have a few issues that will come up at the next ministerial conference that the United Arab Emirates will host at the beginning of next year. This would be an important moment for the EU and China to make an effort to advance a number of issues that are on the table, including in the areas that I have mentioned, which, in my view, would help in building a more solid multilateral trading system.

Question 2: In your book, you say, “make trade happen, make trade work for all.” What do you think governments, enterprises, and other global trade participants can do to promote global trade?

Arancha González Laya: I think governments need to be much more attentive to making trade work for all, because if growing inequalities in countries are not addressed, or citizens feel that social safety nets are not strong enough, forcing

them to save a lot of money because they don't feel safe enough to spend and have to deal with things like healthcare and pensions, the legitimacy for open markets will be very low.

Governments will feel pressure from their citizens and businesses to close markets, because they will feel that if governments don't do that, they are going to suffer. We need to find a way to address concerns from those citizens by strengthening social safety nets. In my view, that's an important ingredient across the world, but certainly in Europe and even in the US where social safety nets are weaker. I think it's also a very important conversation to be had in China. This is a topic where we could see a lot of discussion and a lot of dialogue possible between China, the US and the EU, on how to build more solid social safety nets that will help manage open markets internationally. This is an area where exchanges between the three would be extremely helpful, because I do think that, moving forward, this will be a very important ingredient to take into account. Take the case of artificial intelligence, which has an incredible power to address lots of intractable issues, from diseases for which we had not been able to find cures before. We know that through artificial intelligence, we can look at data and patterns that can lead us to solutions for these diseases. But we also know that artificial intelligence will have an incredibly disruptive effect on labor markets, especially on white collar labor markets. So, we'd better start looking at reinforcing our social safety nets, because otherwise what we will face is another wave of protests from our citizens that will look for protection through trade barriers even though we know that trade protectionism will not help us in protecting our citizens. A good discussion of social safety nets on making trade work for all, as I call it, could establish a basis for learning and sharing between US, China and the EU, together with many others.

Henry Huiyao Wang: A stronger social safety net is such an important issue. The law of economics is resilient, but we have to strengthen it and keep geopolitics disrupt open dialogue. We have a lot of things we can put it on the table, meet face-to-face and through the issues. Increased the trade and increased economic activity is the way to go and while we could encourage regional practices, we should also continue to support the multilateral front and the WTO. As the world's three largest economies, the EU, China and the US have a moral responsibility to do that.

Once again, I appreciate you coming and hope to see you again at the Paris Peace Forum.

The Economics of US-China Relations

As mentioned previously, US-China relations are perhaps the most consequential element in forecasting the next stage of global development. This is perhaps most true in the economic sphere with the world's two largest economies setting the tone and even standards for industries, standards and global policy. This makes the economics of US-China relations an important and unavoidable issue to consider as we move forward into a new era of globalization.

The next stage in global economic evolution will be largely based in who takes leadership of the global economy. The dominance of the United States over the past nearly six decades is currently being challenged by China's economic rise as well as a trend in the United States of taking a step back from global leadership in a number of areas. However, both countries need to be aware of and responsible for the impact that their statements and policy decisions have, not only in terms of their bilateral relations, but also in terms of the wider global environment.

The global economic recovery has been ploddingly slow for many economies, and some have still not fully recovered as re-shoring, friend-shoring, de-risking and even de-coupling are discussed in many of the world's economies. One possibility is the concept of 'coopetition', which emphasizes a balance between competition and cooperation, the former driving innovation and growth, while the latter provides the possibility for interaction and mutual benefit.

For China, this means finding new sources of growth and even of more diversified international economic cooperation. Tariffs imposed by the United States have directly affected Chinese exports to the US, but they have also opened new potential avenues of trade with Europe and could also result in additional investment into the Belt and Road.

While the economics of US-China relations may be an essential consideration of nearly every country in the world, the challenges they pose may also serve as a catalyst for other economies and regional networks to seek more diverse economic pathways.

What's Next for the Global Economic Leadership Amid Rising US-China Tensions?

A Dialogue with C. Fred Bergsten

Henry Huiyao Wang and C. Fred Bergsten

For more than 70 years, the global economic system has been built and driven by Europe and the United States. However, with the rise of China and other developing economies, especially in light of increased tensions, global economic leadership is being contested and there is little doubt that change is in store. But what that change will look like is still uncertain.

The discussion between Dr. Henry Huiyao Wang and Dr. C. Fred Bergsten analyzes topics such as global economic governance leadership in the context of China's rise, the impact of the Russia-Ukraine conflict on the global economy, whether China and the United States can achieve a soft landing, and the challenges and opportunities of “conditional competitive cooperation” between China and the United States.



Henry Huiyao Wang in dialogue with C. Fred Bergsten at CCG's Beijing Office

Dr. Bergsten is economist, Nonresident Senior Fellow and Director Emeritus of the Peterson Institute for International Economics (PIIE). He is a prominent economist and expert in trade and economics. He served as assistant secretary for international affairs of the US Treasury throughout the late 70s and early 80s, functioned as an undersecretary for monetary affairs from 1980 to 1981, and was the assistant for international economic affairs to Henry Kissinger at the National Security Council from 1969 to 1971. He was appointed by President Obama to the President's Advisory Committee on Trade Policy and Negotiations in 2010 and 2014 and re-appointed by President Trump in 2018. Dr. Bergsten has had a tremendous impact on politics that have shaped the US's trade relations with the world. He was chairman of the Competitiveness Policy Council, created by US Congress from 1991 to 1995. He was also chairman of the APEC Eminent Persons Group from 1993 to 1995. Also, he wrote three reports that later became part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Dr. Bergsten is also a prolific writer. He is the author, co-author and editor of nearly 50 books on a wide range of international economic issues, particularly surrounding US-China economic relations. He has also published widely on economic groups and trade negotiations, many of which have been included in many multilateral trade agreements between the US and other countries. His latest book is *The United States vs China: The Quest for Global Economic Leadership*.

US & China—Finding Cooperative Leadership Roles

Henry Huiyao Wang: Following previous conversations with Larry Summers, Henry Paulson and Niall Ferguson at CCG's 8th China and Globalization Forum, we are incredibly happy now to invite another world-renowned economist, the Founder of the Peterson Institute for International Economics (PIIE), and author of *The United States vs. China: The Quest for Global Economic Leadership*, C. Fred Bergsten.

Dr. Bergsten, as the Founder of PIIE, which was set up quite a while ago, perhaps you can give us a little update on when and why you founded one of the world's top think tanks.

C. Fred Bergsten: It turned out that the United States was a little late among countries in getting integrated into the world economy, but it really happened in the 1970s with the oil shocks and the dollar devaluations, the Nixon shock and all that. One of the major US foundations discovered that the US had no think tank or research institution devoted to global economic issues. They asked me if I would start, create, develop and run such an institution. It was a huge challenge, but I took it on in 1981. I built it from scratch. And, as you said, it has now become one of the leading think tanks in the world on any topic, along with yours and many others in China. So, it's been a fantastic 40 years since I started the institute, which has now become world famous, and I think quite influential

on a number of policy issues. I'm hoping we can help restore a stronger and more fruitful relationship between China and the United States, and through that, strengthen the global economic system, which has been so important to all of us, and particularly to our own two countries.

Henry Huiyao Wang: Thank you, Fred. We have great respect for Peterson which has been really the forefront of globalization and the global trading system. We are very interested in your new book, *The United States vs. China: The Quest for Global Economic Leadership*. You've brought your unique experience as an active participant in and continued observer of the evolution of global economic leadership for almost 60 years. You mentioned your think tank started in 1981, which is almost the same time China opened up and started all those enormous changes. I was wondering if you could give a very quick summary of the book and then we can go into some details. It was only published about a year ago, but it's really great timing and a great angle on global economic leadership. What prompted you to write this book?

C. Fred Bergsten: I wrote the book because I think the single most important issue facing the world economy over the next several decades is whether we can work together to find a cooperative leadership role between China and the United States. I say that because I think the global economic system has been a tremendous success over the last 75 years. It has brought an unprecedented period of prosperity and stability to the world economy. It has enabled countries like China, and, most notably, China, to have economic development miracles that are greater than any other in human history. It has brought major benefits to the United States and our study showed the US is \$2 trillion per year richer as a result of the globalization of the last 75 years.

But that international economic system has rested, to an important extent, on the leadership of the United States. Back in the 1930s, Great Britain was the previous leader, but it lost the ability to continue to lead. The United States was the rising power and was not very cooperative, in fact, it help turned the world's recessions in the 1930s into the Great Depression, which led on to the Second World War. After the Second World War of course, the world decided to create the Bretton Woods System, a network of rules and institutions which have underpinned the dramatically successful global economic order of this period. But the United States, which has been the leading country, though with a lot of help from others, can no longer provide that leadership on its own. And the reason is simple. For the first time in the 100 years since the US became the world's leading economy, it now has a roughly equal power that is challenging it for global economic leadership, and that, of course, is China. Major point number one in my book is that China is now roughly equivalent to the United States in terms of capability to lead the world economy and provide the kind of leadership that is needed. And if that's true, then the question is whether the main countries involved, China and the United States, along with the rest of the world, can find ways for these two leading countries and economic superpowers to cooperatively,

jointly and in parallel, lead a continued, open, and successful world economic system.

At the moment, things do not look too good. As we know, relations between China and the United States are fraught with many difficulties. They are headed, according to some people in both our countries, even toward a new Cold War, and a confrontation which would not only be incredibly dangerous for global security and political relationships but would also threaten to destroy the world economic system. Back in the 1930s, when Britain could no longer lead, and the US, the rising power at the time, was unwilling to lead, the global economy spiraled into depression and led to a world war. We must avoid any similar development today, and that places responsibility foremost on the shoulders of our two countries—China and the United States. What I propose in my book is a new system of what I call “functional decoupling”. We know that China and the United States will disagree on a lot of political, security and values issues. I think that’s unfortunate but I’m afraid it’s inevitable, at least for some time. My proposal is that despite those disagreements on other issues, we recognize that our cooperation is essential if the world economic system is to prevail and to continue to support a stable and prosperous world economy and contribute to a more peaceful world in the broader sense as well.

My overall proposal is based on finding ways our two countries can take that kind of cooperative lead and I think there are some recent signs that are quite positive. Just earlier this summer, China and the United States got together at the ministerial conference of the World Trade Organization and worked out a deal on the very important issue of exceptions to the intellectual property rules to permit developing countries to start producing a Covid vaccine. China and the United States came to the agreement that saved the WTO ministerial and, I would argue, maintained the ability of the WTO, which is very important to help lead the world trading system. Just a couple of weeks ago, our two countries also reached an agreement on the financial markets, specifically the continued listing and trading of securities of a number of Chinese companies on the New York Stock Exchange in US markets, which is very important for continuing the desired flows of foreign capital and investment into China that had been threatened by disagreements between our countries over the provision of data so that the US regulators could know what the Chinese companies were doing, make them more transparent to investors in our country and abroad. That issue had been festering for several years, and it now seems to be on the way to reconciliation. I take it as good news that despite the continued tensions between our countries, which are very real and very important and were highlighted by Speaker Pelosi’s visit to Taiwan recently, that our two countries have seen a pragmatic way to resolve serious economic issues and provide joint leadership to the world economy. It’s a fact that China and the United States are the two economic superpowers and only if they agree can major global economic issues be resolved effectively and satisfactorily. Global warming is a case in point. As recently as 2015, our two countries got together, took the lead at the Paris Conference, and enabled the biggest step forward so far in international efforts to deal with climate change.

It's unfortunate that we've seen a few bumps lately, but I think that needs to get back together.

People talk about the Thucydides Trap: the risk that China and the United States could spiral into real conflict. In my book, I argue that there is an economic Thucydides Trap in which the rising power China does challenge the incumbent power of the United States. We can see there is a trade war between our two countries and it's still there. The Biden administration replaced Trump but has not resolved the trade war, which seems to me to be very high on the agenda of this our two countries need to resolve and signal that we are ready to cooperate on economic issues that are both in the interest of strengthening and improving our bilateral relationship, but in a way even more importantly, provide the kind of joint leadership that would permit the global economic system to continue to be successful. We've now got a world economy that is threatened by high inflation in a lot of countries, including the United States, as well as the risk of a significant recession in a number of countries. China's own growth has slowed down a lot. We need desperately to have effective global economic leadership, restore the system, and keep the economies moving in the right direction. That's going to require a new vision, new cooperation, new policy initiatives between China and the United States. I'm delighted to be here to talk with you about that today and look forward to our conversation.

Henry Huiyao Wang: That was an excellent summary and highlight of your book, which is very timely. In your opening remarks you noted that we are in a world of deglobalization, mentioning the Thucydides Trap and functional decoupling. Rather than decoupling, we should economically strengthen our relationship while trying to accept each other's differences. We have an nearly three-year pandemic that has greatly damaged the world economy, including China. We also have the Ukraine-Russia conflict, which is still escalating. The world is in a situation where we are moving toward a possible World War, but perhaps we also have a new Bretton Woods moment in the works. If we want to emerge from this pandemic safely, what new global systems should we strengthen? You mentioned the WTO and we definitely need to strengthen that. Peterson has always been a great institute for research on global tradin. China has gotten active in RCEP and our think tank has done a lot to promote China joining the CPTPP, which is also a great scheme that you were personally involved in. I'm also thinking about DEPA, a digital partnership launched by New Zealand, Singapore and Chile that China also trying to join. In terms of global economic leadership, where can we start and how can we move things forward? Some progress has been made in the delisting of Chinese companies in the US as well as some achievements at the WTO's 12th Ministerial Conference (MC12). In your opinion, what do we need to strengthen if we want to maintain the current global economic leadership?

C. Fred Bergsten: As you said, there are many opportunities and possibilities for the US and China to get together to provide global economic leadership. The

United States made a huge mistake in dropping out of the original Trans-Pacific Partnership (TPP). That was a massive error by President Trump, supported by some Democrats in the Congress. It was a great credit to the other Asian countries that went ahead with the TPP on their own and converted it into the CPTPP. And now I am very pleased that China has applied to join the CPTPP. I think the United States should come back into the CPTPP. It's not a popular thing in Washington these days, but it wasn't very popular with President Obama before he saw the need to come in to support Asian regional development and engage the US institutionally in the economic process in Asia.

One possibility, which I think would be very desirable, is for both China and the United States to enter the CPTPP. We could actually negotiate some of our bilateral economic differences within that regional context, and it may be a politically less difficult way to do so. We mentioned the WTO, which needs reform because it's lost a lot of its global role, but the WTO has been extremely helpful in dealing with some China-US trade differences in the past. China has taken the US to the WTO, and the US has taken China to the WTO. Both our countries have mainly complied with rulings against them, and it's a good way to try to settle our disputes. However, the WTO rules are not adequate to cover some of the trade problems of today, so China and the US together need to sit down and work out new rules on things like subsidies, intellectual property rights and technology transfers. All those things need new and updated rules, because the rules are now pretty out of date.

Let me mention one other area—international finance. One of the big disparities in global economic leadership today is the International Monetary Fund. China's economy, as I said before, is for all practical purposes, roughly equivalent to the United States. It's bigger than the US on some metrics and still a bit smaller on others, but it will catch up within the next decade. So, for all practical purposes, China and the US are roughly equivalent. China is a bigger trader, has more foreign exchange reserves, and has bigger flows of direct investment in both directions, but China's quota and voting rights in the International Monetary Fund are only one third that of the United States, and even a smaller ratio in comparison to the Europeans when you take them together. This is ridiculous. China's share in the IMF needs to be dramatically increased.

What I propose in my book is that over the next several "appearances", as they call it in the IMF, we aim to equalize the quotas in the IMF between China, the United States, and the Europeans taken as a group. If they could get their act together and take a single seat, that would recognize China as roughly equivalent with the US. It would recognize China's ability to provide leadership in the international financial area. Incidentally, I argue in my book that China has, in fact, provided very constructive, very effective leadership in the international financial area on a number of occasions, going all the way back to the Asian crisis in the late 1990s and the Global Financial Crisis in 2008. China had the fastest and biggest stimulus program to save the world from a deep depression. China has clearly taken a very effective leadership.

On the other hand, China has also deviated from the important rules in some cases. China's currency manipulation 10 to 20 years ago was an important deviation from the basic IMF rule, which stressed not competitively devaluing your currency. And that's one of the reasons that other countries, including the United States, have complained about Chinese economic policies and raised problems, threats or reactions to China, and why political support for globalization in the United States has declined over the last 20 or so years. That trend has to be reversed if the US is to restore its participation in global economic leadership.

I think an important message for China is that some of its own policies have caused important negative reactions and backlashes in other countries, resulting in reactions like the trade war for the United States. However, it's not that the US is blameless as it sometimes violates the rules too. But China, now as a leading, perhaps the leading economic superpower, has a huge impact on the rest of the world when its own policies deviate from international norms and rules. Now, China will frequently say, 'but we didn't write those rules' and that's why I say the WTO and the IMF need reform, in which China and the United States and the Europeans and some others, sit down and work out revised global rules and norms under which we can all live successfully and restore a cooperative and effectively functioning international economic order.

Henry Huiyao Wang: That's really an enormous message. You've been really thinking globally and particularly about reform of the global system. I was particularly impressed with what you said about the IMF. During the Asian financial crisis, China actually didn't devalue the RMB and passed multiple stimulus packages. During the past two years of the pandemic China's trade has been at an all time high with a 20% increase last year. China is still trying to stabilize the global economy and I think it would be a great idea for China to take its rightful place in IMF and similar organizations so that we can really harness and maximize the contribution that China can make to global governance, economic growth and the multilateral system.

I talked to Larry Summers some time ago about how development banks can work together and we touched on the AIIB (Asian Infrastructure Investment Bank), which China launched, and the World Bank where Larry Summers used to work. So, what do you think about the development bank sector? We recently see a trend of people joining different blocs and moving on their own now. Capitalization is using different schemes and they aren't really working together, but separately. China launched the Belt and Road Initiative (BRI) nine years ago, but in response, President Biden launched the B3W, and G7 talked about its own infrastructure plan, while the EU is pushing the Global Gateway. All governments know that after climate change, infrastructure probably is the biggest common denominator for all countries. If we can really work together on infrastructure, what do you think of the possibility of the AIIB, which is led by China, the World Bank, which is led by the US, the ADB, which is led by Japan, as well as European banks and Latin American development banks actually

working together. Another option is to upgrade AIIB to a global infrastructure bank with the US, China, EU and many other countries involved in rebuilding the world? This is especially true in light of Ukraine, which will need to be rebuilt.

C. Fred Bergsten: You're absolutely right. China has, of course, become the world's largest development lender by a large margin, so development finance is a natural area for China to take the leading role in coordinating world efforts and putting together the necessary assistance to the developing world and promote global growth in that way. Another huge mistake that the United States made, and this was under Obama, was to reject China's invitation to join the Asian Infrastructure Investment Bank right at the start. Larry Summers and I fully agree, it was a huge mistake for the US not to join. It was an even bigger mistake for the US to lobby its traditional allies not to join. They of course rejected the US effort and almost all of them did join. Today, the AIIB is a big success, including through its cooperation with the World Bank, the Asian Development Bank and other multilateral institutions. In my view, and I say this strongly in my book, the United States should now come back in and come to its friends in Beijing and say, well, we've thought about this again, we want to join the AIIB as a non-regional member, like we are in other development banks, and contribute positively to the outcome. The AIIB has an impeccable record so far in terms of conforming with international rules and international norms. It's quickly scaled up and become a significant lender.

I agree with you, and it's in keeping with what I said before on trade and monetary affairs. Instead of having separate China path, US path and Europe path, we need to get them together. Competition is good in some senses and maybe the AIIB and the World Bank stimulate each other to do better, but both of them have already seen the merit of co-financing lots of projects, and I think in the future more of that is needed. This is related to the Belt and Road Initiative, which as you known has been suspected of promoting some of China's military, security, or political, foreign policy objectives. It's also been accused of maybe building up excessive debts in some of the borrowing countries, and some of that is now starting to show up. I would think it would be better for both the BRI itself and for the US and other non-participants at the moment to get together and try to strengthen those kinds of results.

What I argue in my book is that China must play a leading role in managing the global economy, and that requires the global economy to accept some changes in the rules and norms that China would prefer. Some of those would be uncomfortable for the US and other countries and some might be unacceptable. But the issue is to get together and negotiate in a spirit of cooperation. We need to get together satisfactorily if we're going to get any success. One thing I wanted to pick up on one thing in terms of US policy we know will not work—containment. Trump tried containment, to restrain China and resist almost any Chinese initiative that seemed to benefit China, even if it also benefited the United States, like trade between our countries. As you said, China continued to grow right through the whole Covid crisis; the only major country that kept

growing. That's slowed down a bit now, but right through the two years of the pandemic, China kept growing. China's share in nearly everything—world trade, world investment—kept growing during that period despite the trade war with the United States. China-US trade dropped sharply in 2019, but China's overall trade boomed enormously. So, containment clearly does not work.

China is too big and dynamic. Even if the United States tried to do it, no other countries would join the United States in that effort, and that's been proven in Trump's trade war, which no other countries joined. Where I would start in trying to restore the kind of relationship we need is to eliminate the trade war. That could be done on a totally reciprocal basis. There's no need for the United States to be seen as giving anything to China to get rid of the trade war. I'm quite confident that if the US was willing to get rid of its tariffs on Chinese products, China would reciprocate by getting rid of the tariffs that it put on US goods. It would be a dramatic step if our two countries could get together, roll back those tariffs, end the trade war, restore a much larger level of trade between our countries, and restore a huge amount of confidence in the world trading system, the World Trade Organization, and the whole rules-based system.

That would be very much in our interests, particularly at this time of global economic difficulty. There would still be some trade conflict between our countries, and we would pass through the same negotiations and try to work to see if we could come up with some new rules; hopefully multilateral rules that could be implemented in the WTO, the CPTPP and elsewhere in regional as well as most multilateral organizations. But I think unless our two countries are prepared to continue the current drift toward Cold War, and unless the US foolishly thinks that it could really conduct a successful policy of containment toward China, the only alternative is really to seek a new cooperative mode. So that's what I'm urging my own country.

A piece of good news that I'll add before I stop talking here is that the Biden policy does permit the kind of functional decoupling I'm talking about. Again, I am against national decoupling and a lot of people talk about decoupling the US and China in an overall sense. That would be a disaster in my view, and it could not work, and it should not even be tried. Functional decoupling says, recognize we will have some problems on the security side and political side, but also that we must cooperate pragmatically on the economic side and we can do that, as these recent events show, even while we are disagreeing on topics in other domains. I think that approach is what we need to be pursuing now. The Biden construct permits for that, even before he was in office, President Biden was writing articles to this effect along with Jake Sullivan and other top people in the administration and continue to say it since they've been in office. They see US-China relations as proceeding in different baskets, some producing confrontation and others cooperation, which would include global warming, pandemic response and I would also put economic issues into that cooperation basket.

In addition to global warming and pandemic responses, it's crucial that we get an agreement at the highest levels of our governments to put economic issues in this cooperative basket. Functional decoupling has demonstrated that it can

work and it's been working in other areas with other countries. I think it's even working in the Ukraine crisis. That's the vision and path that our two countries must pursue. Otherwise, I'm afraid we'll drift in a negative direction toward a new Cold War.

Conditional Competitive Cooperation

Henry Huiyao Wang: I think that we are seeing a trend of drifting apart very quickly. We need to create a mechanism for discussion. I'm also really pleased to hear that you've recommended the US come back to the CPTPP and consider joining the AIIB. Those would be great initiatives considering all the geopolitical tension and talk of deglobalization. I also agree with you that we have seen some changes from the Trump to Biden administration. It used to be competition, cooperation and confrontation, and now it's become invest, align, and compete. Investment in the US seems okay, but while China is working on economic alliances like the BRI, RCEP, CPTPP and China African Cooperation, the US is working on strategic alliances like AUKUS, Quad, Five Eyes, and others.

I think your idea of "functional decoupling" could be an advantage if we really put economic development and the livelihood of the global population ahead of geopolitical differences. That really seems hard to do, but what do you think where the fundamental problems are? There's polarization in the US, which we can see in the upcoming mid-term election season just a few weeks away with polarization in opinions on both sides. Opinions on China are very similar because the middle class in the US is not really doing any better. Over the last several decades, the wealth of the Wall Street 1% has grown to be equal to 40% or 50% of the rest of the population and China often seems to be blamed for this. Let's address some of those root problems. Maybe multinationals should benefit local economies rather than putting their money elsewhere. What do you think about this minimum global corporate income tax?

C. Fred Bergsten: The US has a lot of problems, whether they be economic, social or political dysfunction, so the United States has a lot of work to do to pull up its own socks. Some of the dissatisfaction in the US does spill over to opposition against globalization, despite its great benefits for the US. And some of that, in turn, spills over to China. Since China is really the first real economic challenger to the United States in a hundred years. It's natural, I think, that some concerns are pointed towards China, particularly when some of China's policies, as I said before, do create problems with the international rules and the international norms. I mentioned the currency manipulation of 10 to 20 years ago. That's in the past, but that was a big factor in hurting jobs in the US, leading China to massive trade surpluses, which for a time exacerbated unemployment and other difficulties in the States.

What I'm proposing is what I call in my book "conditional competitive cooperation", which has three parts. We've already talked about competition

and cooperation, but I include conditional because now that China is roughly equivalent with the United States in most economic metrics, in addition to achieving a leadership position in the global economy, China also has to contribute. Moving forward together has to be done on a reciprocal basis. I mentioned getting rid of the trade war, which is an easy one, because China's tariffs were in retaliation to the US's tariffs, so if the US takes off its tariffs, I would think it would be natural for China to eliminate its tariffs at the same time. There's a default reciprocity, and if President Biden were inclined to do it, nobody could charge him with being soft on China. That's the kind of thing I have in mind.

Likewise, in the IMF, I talk about China achieving equality with equal quotas and votes commensurate with the US and Europe. I think that is highly desirable. At the same time, China would then have to agree, seriously, to conform to the rules of the IMF, which include avoiding competitive devaluation. Now that's easy for China, because it hasn't done any competitive devaluation now for over ten years. In fact, China is facing a weakening currency now and it's trying to keep the currency from getting weaker, so it's intervening in the other direction and trying to strengthen its currency, but this kind of intervention needs simply to be enshrined in the rules in a more explicit way.

There are many areas, including the trade rules as I mentioned, rules governing subsidies, technology transfers, and intellectual property rights, that need to be updated through cooperative negotiation, which should include China and the United States and the other key trading countries. It needs to be done on a reciprocal basis and fairly balanced, but taking full account of China's new role, China's leadership potential, China's leadership responsibilities, as well as those of the United States and its traditional allies in Europe, Canada, and elsewhere.

So that's the whole package as I see it, but I want to be clear with you and other Chinese friends. This would have to be done in a way that was reciprocal and done in a fair and balanced way between two essential equals, i.e. two superpowers. I've talked in the past, as you probably know, about a G2, where the US and China would actually be the inner core of the leadership group, but not exclude anybody else as many other countries need to continue playing a central role—the Europeans, Canada, Japan, Korea, Australia and others who have incidentally played a very constructive role during the US-China trade war to keep the global economic system moving ahead positively. But the G2, with the US and China very informally working together at the center of a series of concentric circles, would be the center of another circle possibly being a G3 or G4 bringing in Europe and maybe Japan, and then the G7 and ultimately the G20.

However, we know from history that the global economic system only functions successfully and effectively if it has effective leadership. The US, because it was the dominant economy, did provide that for a long time. However, as I said at the start, it can no longer do so by itself or even with its traditional allies and China must now be part of that. This is the most important underlying issue facing the world economy and maybe world politics as well for the next

several decades: finding a way to translate the new power equilibrium into a governance equilibrium where China can take its rightful and justified role in the leadership system, allowing it to provide the kind of leadership that's necessary for the world, moving in its preferred direction while also making some changes in its own policies that will enable the world as a whole to move forward.

Henry Huiyao Wang: That's quite a strong argument. I agree that we really have to enhance global economic leadership and the US and China should work together. I've also heard of the concepts of "rivals within reason" from Graham Allison and "cooperative rivalry" from Joseph Nye and I hope that competitive cooperation can work. What do you think about a G3? The EU still seems to be a very large economic bloc and given that the US and China often have conflicts and differences, maybe the EU would better situated to help mediate?

C. Fred Bergsten: Yes, I agree with that. I said in my book that a G3 would be ideal. The problem, of course, is that the European Union does not speak with a single voice on most issues. It does on trade and a few other issues, but it does not on monetary affairs or macroeconomics. In fact, they have big debates within Europe on a lot of those issues. If they would become a true economic union, as I think they want to and they probably will over the next 20 or 30 years, then a G3 would be possible.

In the meantime, I agree that Europe can play a big role. As I said a minute ago, they have been quite constructive in keeping the multilateral system going during the US-China trade war. For example, in the WTO, they put in place a dispute settlement mechanism to substitute for the one that the Trump administration destroyed. That's been very constructive, and a lot of countries, including China, have agreed to participate in that. Europeans, to be sure, can play a very important role and we need to work with them at all times. I know China always wants to be part of a multilateral approach to deal with these issues and I think Europe intermediating in the way you suggested would be quite possible.

However, I want to say one other thing to the comment you made before. You talked about the consensus in the United States about China and that you're worried it's putting us on the path toward confrontation or a new Cold War. There is widespread agreement in the United States that China is a true competitor and rival to the United States in many ways, and the first real one in a hundred years. However, there is no consensus in the United States on how to respond to that. Trump tried containment and it failed. Biden has continued some of Trump's policies, but his tone has been very different. He's tried to work with China on climate change, on pandemic responses, on several economic issues that I mentioned before, which has been quite successful. I think it is still too soon to say how Biden will come out on these topics.

There's even more good news. As I said, the US has to get its own act together in many ways and just in the last few months, Congress passed the biggest infrastructure investment legislation in the United States in over 60 years.

We're beginning to deal with our problems of inadequate infrastructure. And in the last few weeks, Congress also passed major legislation to increase US research and development spending and efforts in the semiconductor industry, which of course is at the forefront of global technology. Part of the response to the China challenge that we're already seeing in the United States is actually constructive, domestic steps to try and improve America's performance. Now, we've still got a long way to go in terms of fiscal policy, our political system, our protection system, and our race relations, but there is good news, which is sometimes lost in all the bad news. I think we're going to see more of that in the coming years because there is bipartisan agreement that the US does face a China challenge, and that the fundamental response to that should be domestic. We need to improve our own performance and get our own act together to regain the confidence of China and the rest of the world as well as for our own purposes. But in addition, we of course need to strengthen our relationship with China directly, and that's what I emphasized in my book and in my remarks tonight.

Getting Along despite Tensions

Henry Huiyao Wang: This is a really strong argument. I read your book. It's a marvellous and I've recommended it to Chinese readers as well.

You've strongly emphasized the necessity for China and the US to work together and we strongly feel the same. China is rising and it has its own logic rooted in a five-thousand-year history and uninterrupted civilization based in the great tradition of Confucianism. Modern economic globalization has generated tremendous capacity for development, which needs to be harnessed for global peace and prosperity. How can we put more emphasis on common benefits? There's still enormous US investment in China. Tesla is the largest clean automobile producer in the world and its biggest factory is in China. But we worry about issues like Taiwan with the recent decision by Congress on the Taiwan Policy Act, which has been diluted compared to what it used to be. They've changed the "requirement" to elevate the Taipei office to the Taiwan office to a "recommendation", which may happen or not. They've also said they want to have the representative to Taipei ratified by Congress, which has now been dropped. What recommendations do you have to get along despite this complexity and tension going on?

C. Fred Bergsten: Taiwan is the issue that demonstrates most clearly what I'm talking about. I'm afraid we probably will continue to disagree on Taiwan, but if we can do it within the context of the three communiqués, I think we can avoid hostile conflict over it. There are other issues as well on which we will continue to disagree and that's where I call for us to adopt functional decoupling to set aside issues where we do disagree to work together pragmatically on economic topics. I think the United States would agree to do that, but I don't know if China would agree. Taiwan is obviously a core interest for China, but in my reading, an

open world economic system is also a core interest of China, and steps that create backlash, that threaten the continuation of that open economic system, are also very detrimental for China. So that's a cardinal test.

The Party Congress in China and midterm elections in the United States are almost over, which gives us a window of a year or two where we may be able to start some new initiatives. And if the leadership in both countries recognize that we must step back from this continued drift toward confrontation by getting rid of the trade war, which would be fully reciprocal and in economic interests of both countries because it would eliminate needless conflict. It would also give an enormous boost to both our bilateral relationship and to confidence in the world economy at a time when the world economy is shaky and needs such a boost. I think something down that path, after we both get by our upcoming the political watersheds, might be the way to go.

Henry Huiyao Wang: That's really a great message. China's 20th Party Congress coming up, as are the US midterm elections and the G20 and APEC Summits. This will be a busy political season, but we need to emphasize multilateralism in global governance with China, the US, the EU, and the Global South working together to sustain and enhance our global system. This has been a great dialogue and I've really enjoyed talking to you.

Your book is very stimulating, especially your emphasis on China-US global leadership together with others. You really have a big vision getting China more active in the international system, including the IMF, World Bank, global infrastructure, WTO, and other issues. Those are great messages and we really appreciate them. Before we leave, do you have anything you'd like to end with?

C. Fred Bergsten: I'll just end with where I started, which was to say why I wrote the book, because I really do think finding a way for the US and China, the only two economic superpowers, to work together effectively, is absolutely essential if the global economic system is to continue to be successful, prosperous, stable, and if it's to contribute to world peace and security. I think that's the biggest challenge that our countries face in the years and probably decades ahead, and I simply hope to make a modest contribution to moving in that direction.

Henry Huiyao Wang: I absolutely agree that China and the US must work together for the sake of mankind and for the sake of the world.

Global Economy and Sino-US Relations

A Dialogue with Lawrence H. Summers

Henry Huiyao Wang and Lawrence H. Summers

Inextricably linked as they are, China and the United States are the two most consequential countries in the global economy. Their every move is scrutinized and the slightest change in policy can send shockwaves through markets. This is why scholars and researchers are constantly discussing developments in US-China relations and how that may affect the global economy.

This discussion between Dr. Henry Huiyao Wang and Professor Lawrence H. Summers touches upon issues in the US and Chinese economies, cooperation in global development, and views on what can be done to improve relations between China and the United States.



Henry Huiyao Wang in dialogue with Lawrence H. Summers at CCG's Beijing Office

Professor Summers has enjoyed a distinguished career spanning over four decades as one of America's leading economists in both academia and government. In addition to serving as the 71st Secretary of the Treasury during the Clinton administration, Dr. Summers served as Director of the White House

National Economic Council under the Obama administration, as the President of Harvard University, and as the chief Economist of the World Bank. Professor Summers has played a key role in addressing every major financial crisis over the last two decades. For example, as one of President Obama's chief economic advisors, his thinking helped shape the US response to the 2008 financial crisis. Currently, he is President Emeritus and a Charles W. Eliot University Professor at Harvard University, where he became a full professor at the age of 28, one of the youngest in Harvard's recent history. He was elected to the National Academy of Sciences in 2002 and has been recognized as one of the world's most influential thinkers by Time and The Economist magazines as well as many others.

Economic Recovery and “Secular Stagnation”

Henry Huiyao Wang: In 2011, I visited Professor Summers when I was a Senior Fellow at the Harvard Kennedy School and he wrote a recommendation for my book *Experiences of Harvard Kennedy School and the Revelation of Its Talents Training Success: The Path of Public Management Elite at Harvard*. I was very grateful for your comment “with public management as important as any field, with China as important as any country, best wishes from Harvard for public management in China.” In 2019, you visited CCG's Beijing office and gave a speech here. It's good to see you again, Professor Summers, let's begin our discussion.

Lawrence H. Summers: I have followed the work of CCG for a long time and I think the kind of dialogues that you sponsor may not always result in agreement, but they do produce greater understanding between China and the rest of the world. I think that's immensely important at a moment like this.

Henry Huiyao Wang: We are at a critical time in terms of fighting the pandemic and managing the global economy. You re-introduced the idea of “secular stagnation” in 2013 to explain the combination of a long period of easy, or ultra-easy monetary policy with weak demand and disappointing growth, in favor of less resilience on monetary policy and more active fiscal policy. We know that US inflation is hitting a new high, so as the largest economy in the world, how do you see the US economy in general? The Fed and the US government were actually trying to avoid the issue of “secular stagnation”, which you pointed out in 2013. What's your general assessment of the US economy and how we can avoid the problem of “secular stagnation”?

Lawrence H. Summers: So let me describe my view prior to the pandemic, my view during the pandemic, and then my view after the pandemic. What I foresaw in 2013 was that the world economy had changed quite profoundly. Instead of the issue being too much demand colliding with insufficient supply, there was so much desire to save for retirement, so much wealth going to very affluent people,

so much reduction in the price of capital goods, particularly those involved with information and technology, and such profound demographic change towards much slower labor force growth. I felt that the challenge was going to be a chronic excess of saving, and I felt that the traditional mechanism of adjustment, based on interest rates, was going to be problematic. I wasn't sure that reducing interest rates from low to extremely low would actually stimulate that much more demand. I worried that excessively low-interest rates would actually lead to more financial instability and financial bubbles. I felt that what we are likely to see was low-interest rates, sluggish growth, and very limited inflation, reflecting the sluggish growth. And I think that's a pretty good description of the industrial world from the period after the financial crisis up until Covid.

When Covid hit, I had a strong recommendation, which was that we do everything we can to contain the spread of Covid, and that we very substantially support incomes and demand. That's what the United States did in 2020, very very successfully. By the time we got to 2021, it was pretty clear that the US economy was recovering and recovering at a fairly rapid rate, but I looked and I saw that our level of income was perhaps \$30 to \$50 billion short of the economy's potential. I felt that it was important to close that gap. What we actually did was not \$50 billion a month of stimulus, but more like \$200 billion a month of stimulus. And at the same time, we ran an extremely expansionary monetary policy and had the Federal Reserve grow its balance sheet very, very rapidly. The result I predicted at the beginning of 2021 was that we would have substantial inflation, because the bathtub would overflow. There was more water flowing in, in the form of demand, than there was the capacity of the economy to produce, especially given the various distortions, destructions and implications of the pandemic. And that's, in fact, what has happened. You can debate exactly what the role of supply is and what the role of demand has been, but what's clear when you get to 7% inflation is that demand is running very, very strong, relative to supply. And then unless an effort is made successfully to balance supply and demand, we will have continuing high inflation and possibly even accelerating inflation.

Therefore, it was my view, going back to last spring, that monetary policy needed to start adjusting its path to recognize that overheating was our economic problem. And the fiscal policy needed to be conducted in ways that would reduce stimulus rather than increase stimulus. Unfortunately, my advice was a minority opinion. Policy makers followed what was a majority consensus opinion that inflation would be entirely transitory and wouldn't be a serious problem. So we now find ourselves with much more rapid wage growth, much more rapid price growth, and a great deal of anxiety about inflation. That's the situation in the United States and something similar is happening in Britain and in Canada. The priority now, in my view, has to be on reducing the overheating of the economy. That's going to make a set of substantial challenges for the Federal Reserve, because historical experience suggests that it is very difficult to slow the economy down gradually in a way that causes meaningful disinflation. That's why my suspicion is that the consensus forecasts that we will enjoy inflation below 3%

with unemployment significantly below 4%, is unlikely. I do think that one of the puzzles in the marketplace right now is that even though the government has borrowed on a very substantial scale, markets expect that this whole episode will end with interest rates below 2%. And maybe that will be what works out, but my own best guess would be that it will be necessary for interest rates to rise significantly more if we're going to have the economy avoid protracted inflation well above the 2% target.

I do think that the fact that real interest rates for 10 years, even for 30 years, are negative is telling us something quite profound, which is that secular stagnation is something that is in remission, not something that has been ultimately cured. And I think that we're going to have to think very hard about the right kinds of policy approaches for the medium term. But if we don't deal with the inflation that we have right now, I think we're likely to have even larger problems in the future.

Recovery and Lessons in Administration

Henry Huiyao Wang: You've outlined this issue very well. US consumer prices have been increasing very quickly, which also is resulting in a higher cost of living. Annual inflation rate in the US reached a new 40-year high in the last few months of 2021, reaching 7%. This will probably impact the entire world, so every country is watching that. Now let's talk a bit about the world economy. About ten days ago, we had an event with the World Bank, which released its new Global Economic Prospects report together with CCG, marking the first and only time this has been done outside Washington D.C. The World Bank's forecast on the economic growth was for 4.1% in 2022 and 3.2% in 2023, while China's forecast was 5.1% in 2022 and 5.3% in 2023. This pandemic really hurt all of us and the World Bank has actually lowered the forecast on growth for all the economies. How do you see the world economy getting out of this? Manufacturing in China was actually pretty strong and China's foreign trade in 2021 grew by almost 30% compared with the previous year. Global manufacturing is probably still recovering, but China is supplying the world through imports and exports, which has gone up 30% reaching a historic record high. How can the world economy get out of this period stagnation? How can the US control inflation?

Lawrence H. Summers: I have learned to have enormous respect for China and for Chinese policymakers. People from the West who see problems and then think that China is going to run into all kinds of difficulties have a history of not turning out to be right. So, it's very difficult to judge what's going to happen in China.

That said, I think that China faces three major challenges over the next two years that is going to take enormous skill to deal with. The first is the exit to normal from Covid. In the United States, we have a population where half the

people in the United States have had Covid. I have Covid as I'm speaking to you, fortunately a very mild case so I'm having no difficulty participating in the conversation by Zoom. But that fact and our use of mRNA vaccines mean that we have the capacity to manage Covid as it moves from pandemic to endemic, for it to become a relatively normal part of life in the same way that the flu is a relatively normal part of life. I think the challenges for China, given that China hasn't had mRNA vaccines on a very large scale, and given that China has had this remarkable success, so far, with its lockdown policies, making a transition back to normality is going to be a very important challenge for China.

I think the second very important challenge for China is going to be, where is the demand going to come from? China is an extraordinarily high saving country. If you look at personal consumption relative to GDP, China's number on some indicators is below 40%. That's less than the United States was when we were fully mobilized for World War II. The question is where is all that saving going to go? There have been periods when all that saving went into exports but I think the rest of the world is going to have limits on its willingness to accept large-scale Chinese trade surpluses. There have been periods when it has gone into infrastructure—but China laid more concrete, between 2010 and 2014, than America did in the whole 20th century. It's got a pretty splendid infrastructure and there's a limited capacity for new infrastructure projects. For a significant time, it's going into real estate. But we're seeing substantial financial excess in the Chinese real estate sector with companies like Evergrande. So, the question of "how is China going to manage its saving" is I think a very substantial uncertainty going forward.

I think the third uncertainty, and it's the one that an outsider like me can speak to with the least confidence, is that the extraordinary uniqueness of the Chinese economic system has much to do with the very special role of the party and the very large role of state enterprises. On the one hand that has led to a very great capacity for coordination. On the other hand, it has led to substantial political elements in the economy and the question of balancing state and market. Going forward, in a period where it appears that the state is wanting to assert a greater control both through more channeling of capital to state enterprises and more extensive regulation of private enterprises – what that will mean for initiative, entrepreneurship, and growth is I think not entirely clear.

Just as we have substantial challenges in the years ahead, China has substantial challenges. I was interested when President Xi in a speech a couple of days ago made reference to the challenges for the world economy of significantly increasing interest rates. I think we're likely to have significantly increasing interest rates, if growth continues, if we want that growth not to translate into excessive inflation. We're going to have to think about the consequences of all of that for some of the poorest countries in the world that have taken on very substantial debt, both because of the low-interest rate and because of the challenges associated with Covid. My hope would be that just as we did during the Asian financial crisis, and just as we did in 2008, there can be substantial cooperation between the United States and China in international financial policy,

and especially in the issues facing debtor countries.

Henry Huiyao Wang: Excellent. You’ve talked about the challenges that the US faces, and now we can talk about China as well. You made three points, including how we can strike a balance between this “zero tolerance” policy and opening up the economy to the world, including international traffic. The Winter Olympics are being held now in Beijing and I think we are experimenting with some ways to open and hopefully we will have more international movement as time goes on. Second, you mentioned these potential risks of the Chinese economy. I think the digital economy and its synergy and infrastructure play a lot of roles in China right now, and the SMEs in particular are still quite active. But I think you’re right and we know that China has a unique model where SOEs play an important role, which is regarded as one of China’s strengths. For example, during the Wuhan crisis, 40,000 medical personnel were sent to Wuhan, all from SOEs. China was also able to build two-thirds of the world’s high-speed railways because of SOEs. China Telecom and China Unicom are also able to give lower rates to rural areas. But of course, the challenge is how can we really stimulate entrepreneurship and strike a balance. You’re absolutely right that we need to find that balance.

You also mention the World Bank. You were the chief economist of the World Bank, which along with other development banks has played many that have changed the world and World Bank projects in China have been very successful. What do you think of the challenge now the world is facing? There seems to be a wide consensus on infrastructure today with the US proposing its own infrastructure plan and the EU launching the €300 billion Global Gateway. After the catastrophe of the Second World War, the Bretton Woods System, the World Bank, IMF, WTO and GATT kept the world going for 77 years. But at that time, the global population was 2.5 billion; today it’s 7.8 billion. There are 500 development banks, which maybe account for 10% of global investment. China has the AIIB, the US has World Bank, Japan has the ADB—if we could get all of them, including the AFDB, Inter-American Development Bank and Europe Construction Bank together—maybe they could work together to meet the global demand for infrastructure and ensure that developing countries have a chance at prosperity for the next half century, while also creating a bigger pie to share among China, the EU and the US. Maybe something like an international development bank alliance could tackle this issue through joint project co-financing. All of these international global governance efforts could improve or enhance our ability to avoid geopolitical conflict. Based on your experience in the World Bank, what do you think we can do together?

Lawrence H. Summers: I very much like to tell the story of the meeting that President Reagan had with Soviet Premier Mikhail Gorbachev in 1985. They went for a walk together, just the two of them, with only their interpreters. And at one point, out of nowhere, President Reagan said to Mikhail Gorbachev, if the Martians came and attacked the United States, would you help defend us?

And Premier Gorbachev looked very surprised, laughed, and said, “Of course, we would. If Martians came and attacked the USSR, would you come to defend us?” And President Reagan laughed, and said that of course, he would. And after that moment, their relationship was a much better one. Well, I don’t expect that there will be any attack on the United States or China or anyone else on Earth from Mars. But I do think that humanity in our planet is existentially challenged in a way that it never has been before, by climate change, by pandemic, disease, by threats of nuclear proliferation and terrorism. So, I think that we do have common adversaries. And I think that international relations, for thousands of years, has been about balancing power in a stable way, and that continues to be very important. But it is also about achieving cooperation with respect to threats that endanger all.

That’s why I think there needs to be a rethinking, a replenishing and a renewing of the development of the banking system. And I believe that responsibility for that rethinking, replenishing and renewing has to rest with the two great economic powers in the world, China and the United States. I also believe that cooperation in the area of development banks can be an important part of what President Xi has called “a different kind of great power relationship”. What does that mean? I believe that the World Bank should no longer be named the “International Bank for Reconstruction and Development”. The most important investments that need to be made are investments in sustainability, in green infrastructure and architecture, and in global public goods. And it needs to be much more engaged in financing them – not just on its own, but with partners from the private sector, partners from national development banks. And it needs to pursue a common agenda of all nations and be a place where nations cooperate together.

The World Bank I believe should be at the tip of the armada. But it certainly should not be the only ship in the armada. I look forward to the day when the United States will be able to join the AIIB, which I think under President Jin Liqun has done a splendid job in its early years. If you look at the scale of the world’s development banks, relative to the scale of the world economy, particularly the World Bank – it has lost substantial ground. I also believe that the decision taken during the Trump years for the World Bank to receive a capital increase (its last capital increase) was a grave error. It should be a major priority to re-capitalize the development banking system, and to use the power of modern finance to make sure we’re getting maximum development bang for the buck from all of the development banks.

I also believe that if we can agree on the objective of sustainability, substantial replenishing of funds, and greater cooperation with the private sector, we can renew the development banks for a very different era than the one that has come before. There was a time when development banks were very much in the business of financing, for example, tourist hotels. The world now has very strong capital markets, and we don’t need development banks to finance tourist hotels. We need development banks to finance the investments that are central to global challenges and I believe that can be an enormously important project

on which China and the United States can cooperate, even if they do have major differences on technology and the geopolitics of the Pacific Region. I don't think there's anybody who is in favor of more evolution of Covid and more people left unvaccinated. I don't think there's anyone who's in favor of a higher rather than a lower global temperature. So, my hope would be that this could become an important aspect of cooperation between our two nations.

“Coopetition” in Post-Pandemic US-China Relations

Henry Huiyao Wang: We haven't experienced a Third World War, but we have experienced a global war on this virus with Covid. We were trying to get out of that crisis, but what is going to revive, replenish and reinvigorate the world economy? You're absolutely right—we have to leverage the development banks, particularly the World Bank, AIIB, ADB, AFDB and other major development banks, working together. We should have a summit of development banks, and, as you said, invite the private sector and capital markets to join, which would be a new force in the post-pandemic era. I think that's really a great idea and the world's two key players—China and the US, plus the EU—should really work together.

Now I'd like to shift the subject to US-China relations. When you visited CCG in 2019, you talked about the changes that are taking place in China and how what happens in China in the first half of the 21st century will write future history and how that will affect a fifth of humanity. China's transformation and rise are likely to impact the balance of power, possibly resulting to the Thucydides Trap. I also had Professor Graham Allison here at the CCG Global Dialogues and he talked about the Thucydides Trap. I also talked with Joseph Nye and Tony Saich—a number of my Harvard professors—they don't see the need for decoupling or a new Cold War. They all agree that China and the US are entering a period of competitive cooperation, but we still hope cooperation and some kind of partnership can be maintained. What do you think about US-China relations in the post-pandemic era? How can we get along and while managing the risk, as Martin Wolf mentioned in a previous session of Global Dialogue? How can we ensure US-China relations move forward in a sustainable way?

Lawrence H. Summers: I've compared the US-China relationship to two individuals who have relatively little in common, and who have substantial feelings of discomfort and distrust with respect to each other, but who share a lifeboat with tools in a turbulent sea, a long way from the shore. They may be right in their grievances with respect to each other, they may be right in their aspirations as to who should be in charge. But the reality is that unless they row, relatively in unison, for quite a long time, without the distractions of anger and conflict, they're not going to make it to shore. That is how I think the United States and China need to understand each other.

I find that much of the discussion is centered around questions like—should

we have “coopetition” —engagement with competition? Should we have strategic engagement? Should we have cooperation? Selective cooperation? There’s a war on to define a phrase that captures what we’re going to have. But I think ultimately, we need to decide what it is that we want and what’s realistic to have. I don’t think it is realistic for China to aspire to displace the United States as the world’s leading economic power. I don’t think it is realistic for China to aspire to a vision of the Asian continent in which the United States is not an active economic, political and security participant. At the same time, I don’t think it is realistic for the United States to aspire to the kind of unipolar hegemonic world that many in the United States talked about after the Berlin Wall fell. I think China has too many achievements and has done too much for that to be a realistic American aspiration. And I think we in the United States need to accommodate ourselves to the fact that we are not going to be the world’s largest and completely dominant economy forever.

And so we need to define a vision in which we both prosper, we both respect each other’s ability to run our systems internally as we see fit. But we both agree on international rules of the world where there is interaction, whether it is competition between companies, whether it is rules with respect to the deployment of troops and weapons, whether it is understandings with respect to external countries. That is what we need to try to work out together and it will be an immense diplomatic challenge. But I think that it is important that we start from a sense of what we ultimately want to achieve and go from there to a range of specific approaches, rather than – as is too often the case—a strategy conflated with a wish list.

And for my last point—it seems to me that we in the United States face very profound internal challenges. Too many of our middle-class people, our ordinary citizens, feel that our society doesn’t work well for them. At the same time, China faces the profound challenges that I described a few minutes ago. It seems to me that it’s in both of our interests for us both to conduct our relationship in the coming years in ways that allow us each to renew our societies domestically. There are some in China—including articles in the *Global Times*—suggesting that the United States is in decline and that the moment when China has to move and take advantage of the situation. If the United States perceives that that is the broad strategy China is following, we will have no choice but to respond in very strong and vigorous ways. Equally, if China perceives that the United States has an objective of containment or of regime change or of bringing about fundamental changes in the nature of internal Chinese society, that is something that you’re not going to be able to accept. So, it seems to me that the provision of strategic reassurance, not just in words, but in deeds, needs to be an important aspect of the dialogues that take place between our leaders.

Henry Huiyao Wang: Sino-US relations are very complicated and, as the two largest economies, we have a moral responsibility to work together. I don’t think we should be hijacked by the populism and nationalism on the rise in both countries. You are also very correct to point out domestic issues in the US like

middle class stagnation over the last 30 years, while today 40% of all wealth is concentrated in the top 1% and their wealth has gone up tremendously during the pandemic. China also has issues like a decreasing population, regional disparities and just how to handle a gigantic country of 1.4 billion people. These are all challenges that the Chinese government and US government are facing. So, I'm glad to see that the G20 has proposed a global minimum corporate tax. If multinationals make money, they should help by repatriating profits back to their home country. Without that, people in rust belt states or western states that are not benefiting from globalization are voting for politicians that are anti-globalization and anti-China that pass all kind of bills bashing China. There are already 650 Chinese companies on the American entity list. Even though the Chinese government has passed a new entity law regulations, it still hasn't sanctioned any US companies. China was trying to lift 800 million people out of poverty and to grow its middle class, rather than letting it shrink or stagnate. So maybe the two countries should concentrate on solving their domestic issues, rather than fanning nationalism and populism and blaming each other. How do you think we can work on that?

Lawrence H. Summers: I agree with you, but in all honesty, I've found you can be a bit selective in the way you framed the issue. You emphasized ways in which the United States might scapegoat or demonize China. And I think I recognize that there were those risks, but I think it would be helpful for you and my Chinese friends to recognize that there have also been occasions in which China has engaged in attempts to subvert democratic countries in their homelands, not in China, in which China has used ostensibly private companies as tools of statecraft to pursue security objectives. You've never said anything that sounds like a Wolf Warrior, but many in China have engaged in Wolf Warrior Diplomacy and it's a little bit hard for us to look past that. Wolf Warrior diplomats have often spoken at very substantial length, and being able to repeat their positions on multiple occasions in ways that make it seem like those are the real positions of the Chinese government. I am happy to join you in the belief that populist nationalism is a toxin that both of our countries need to work hard to contain, but I'm not prepared to accept your statement where your implication that somehow this is an American problem without being a Chinese problem.

Henry Huiyao Wang: I think we need to really look at both of our domestic situations. But maybe now we can approach US-China relations from the perspective of trade. We still haven't seen the lifting of the sanctions imposed by President Trump. It's been a year since President Biden took office and the tariffs are still there. We also recently saw another 140 congressman asking to get exemptions for tariffs that were put on American companies. What do you think about this?

Lawrence H. Summers: Henry, you follow things very closely. China made a variety of promises with respect to its level of purchases. Have those

commitments been met? You know they have not been met. So I think when we think about the tariffs, and I'm someone who believes that we need to engage in economic diplomacy and find a new and much more sensible framework than the one that was negotiated several years ago, but I'm not going to sit here and let you suggest somehow that the United States is doing wrong by maintaining the tariffs without acknowledging that China has completely failed to keep the agreement. Now, I don't think that the existing agreement is a very sensible agreement in the current context, so I'd like to see something new negotiated, but in all honesty, I don't think it's reasonable for you to suggest that the United States should simply unilaterally remove the tariffs without China making any change in a variety of its businesses that are subjects of complaint. Let me say something candidly to you and to my Chinese friends. When I was in government and I would meet with business officials, they would say it's completely unfair when we try to do business in China. I would say I'm happy to pursue that issue with the Chinese government, can you explain it to me? And they would say no, I can't explain it to you because if you raise the issue with the Chinese government, they will retaliate against us and our situation will get much worse. I've had that experience with many, many American businesses. Now I understand and I'm sure that there are Chinese businesses that experience unfairness in the United States, but I am going to insist that if we are serious about trying to find solutions together and trying to find a basis for cooperation, that I won't allow the idea that somehow the United States has been the one that's broken the agreements, or broken the rules, or done the wrong thing and China is an aggrieved innocent. I am not going to allow that idea to stand.

And I think I would say to my Chinese friends that when I visited China for the first time as a tourist in 1979, China was a very poor country. When I visited China in 1991 as the Chief Economist of the World Bank, China was a developing but still poor country. When I had the great privilege of meeting for five hours with Premier Zhu Rongji at a very delicate moment in the discussions with respect to China's joining the WTO in 1999, China was an emerging market that could rely on the rest of the world to understand its special problems. I think China needs to recognize that now with an economy that has grown tenfold since the year 2000, that the situation is very different and China can't just be asking for what others do. It needs to be responsive to the needs of others. I'm not sure that idea is always present in all of the discussions of economic diplomacy that we have.

Henry Huiyao Wang: That's food for thought on both sides. I was actually talking to Terry Branstad, the former US ambassador to China just about two weeks ago during a closed door meeting with the Heritage Foundation. He was telling me that agriculture purchases agreed to in the phase one agreement, like soy beans, poultry, pork, have all hit a record high. I understand maybe during the pandemic, phase one wasn't really a complete satisfactory agreement, but agriculture still hit a historical high.

Lawrence H. Summers: Yes, a historical high, but not in agreement with

what was committed. I understand that the world has changed and when those commitments were made, nobody understood the pandemic, but I think we have to enter into the conversation from the perspective of compromise and win-win, and not from the perspective of vilification.

Improving Relations through Education

Henry Huiyao Wang: My last question is about your experience at Harvard—you’ve been President of Harvard and you were Harvard’s youngest professor at the age of 28, really making a history there and I still remember going to your lecture at Harvard. How do you view student exchanges between China and the US? Even though we have a lot of disputes and differences, China sends the most students to the United States of any country in the world. We have 400,000 students currently studying in the US and the US Embassy’s chargé d’affaires told me that June, July and August last year, the US Embassy issued 85,000 visas to Chinese students to go to the United States.

US universities remain very attractive to Chinese students and the US government recently relaxed visas for the students to stay on. What are your views on talent and student exchanges in both countries? MIT professor Gang Chen, who had been charged by FBI, was recently dismissed by the court, but this kind of “China Initiative” has made the atmosphere really tense, which is bad for the scientific community, professors, academic exchanges, and even for think tanks. How do you see future people-to-people and academic exchanges, especially among young people? Also what do you think about the “China Initiative” which is really not helping?

Lawrence H. Summers: During my time as President of Harvard, I worked very hard to promote more exchange between the United States and China. I was very eager to see us welcome more Chinese students, both as undergraduate students at Harvard, as visiting students at Harvard and for more Chinese citizens to come to our graduate schools. I tried to lay the foundation that has moved forward over time towards more distance education from Harvard, so that people could benefit from the Harvard experience, even when they couldn’t come. And I tried to open Harvard offices and encourage as many students as possible to study in China. I have, each year before Covid, made a visit to Beijing for the purpose of speaking to the Schwarzman Scholars Program at Tsinghua University, because I believe that kind of exchange is enormously valuable in promoting understanding between the United States and China. I have welcomed post-docs from China and pre-docs from China to work in my research group. I have a very fine one who has graduated from Peking University this year. So I’m a huge believer in these positive exchanges. But there do have to be some ground rules, and there have been excesses on our side that I think took the form of racial prejudice. Really, I think that’s deplorable. But I think there also have been activities of Confucius Institutes in which students functioned as spies

in ways that were quite problematic, and occasions in which Chinese students have said they don't feel like they can fully participate in the dialogue in the Harvard classroom, because others from China will be in that classroom as well, and if they say things that are inappropriate, it will be reported back to the authorities and there might be consequences for their families. So, I very much want to see much more interaction and exchange, but I think we do need to have some common understandings that surround that kind of exchange. Yes, there have been problematic things that have happened in the in the United States as you mentioned with respect to the MIT professor. But in the United States, in Australia, in other countries, there have also been things that were done that were problematic by Chinese visitors, and so I think we need to make this work in a spirit of cooperation because ultimately both countries should do better if there's more exchange.

Henry Huiyao Wang: We received some questions from the media. The first is on US-China trade volume, which hit a record high in 2021. Despite the trade war, trade between China and United States has become more frequent. What is your view on this? Second, the US has an overused term for the current US-China relationship: competition. Do you agree with that and would your keyword be for the future development of US-China relations?

Lawrence H. Summers: If I had to use one word. I think the word I would use would be "co-opetition": to capture the idea that there's both going to be competition, and there's going to need to be areas of cooperation. I'm glad to see that the level of trade has expanded, but we need to make sure that that trade takes place on an appropriate level playing field and we need to make sure that commitments are met in a reciprocal way. That doesn't mean that agreements don't need to be renegotiated as unexpected circumstances take place, but there does need to be a notion of reciprocity.

Henry Huiyao Wang: You've made some excellent points, just like you did three years ago at CCG. We have our differences, but that's why we've set up this dialogue and we need to do more. Before we close, do you have any closing remarks or hopes for the future?

Lawrence H. Summers: My first remark is to thank you for the very constructive, generous, and sharp, yet warm dialogue that we've been able to have. I very much enjoyed it and learned from it, and will very much want to stay engaged with CCG as we go forward. Second, I would say that almost always communication is better than non-communication and I hope that the extent of communication between our two countries can be increased. I think that one crucial aspect of successful diplomacy is what might be called strategic empathy. Too often in discussions between the United States and China, Americans make their points about what's wrong in China and China makes their points about what's wrong in America and nobody really tries to think about how a more

constructive relationship can develop. My hope would be that that can be a greater focus going forward. I hope that my center at Harvard, think tanks that I'm associated with in Washington like the Center for Global Development can have more cooperation with you going forward so that in these areas and we can have a stronger relationship.

Henry Huiyao Wang: That's a great keyword – strategic empathy. We really need to work to understand each other, communicate, have dialogues and exchanges. That's the spirit of CCG. We want to be a platform of dialogue and we hope that we can have a better understanding so we can avoid misunderstandings as much as possible. Thank you again.

The Global Economic Outlook and its Implications for China

A Dialogue with Stephen S. Roach

Henry Huiyao Wang and Stephen S. Roach

The global economic outlook seems to change with the seasons, especially in an era of tariff wars, wars of words and even traditional wars that further exacerbate economic decline. Against this backdrop, it is the role of analysts and researchers to provide those making decisions with the most accurate forecasts. This is especially important for China as it works to maintain its economic development and integral role in the global economy.

In this dialogue, CCG President Dr. Henry Huiyao Wang and Professor Stephen S. Roach cover topics that range from the current outlook for China's future growth and challenges of economic inequality around the world and in China that impede growth, as well as the role of a US-China Secretariat in fostering economic growth and prosperity.



Henry Huiyao Wang in dialogue with Stephen S. Roach at CCG's Beijing office

Stephen S. Roach is a Senior Research Scholar of the Paul Tsai China Center at Yale Law School. He joined the Yale faculty in 2010 after 30 years at Morgan Stanley, mainly as the firm's chief economist heading up a highly regarded global team followed by several years as the Hong Kong-based Chairman of Morgan Stanley Asia. His latest book is *Accidental Conflict: America, China, and the Clash of False Narratives*.

Forecasting China's future Growth

Henry Huiyao Wang: My first question is about the IMF forecast you mentioned. It was very interesting because the IMF recently raised its 2024 and 2025 projected growth for China by 0.4 percentage points to 5% in 2024 and 4.5% in 2025. The question I would like to ask is that China, as is the world's second largest economy, with 5% or 4.5% growth today is probably still equivalent to 10% ten years ago or 15% twenty years ago. Every year, China's GDP growth is equivalent to something like Australia or Indonesia. What is your view on the IMF forecast for China?

The other question is about China's transition from high-speed growth to high-quality growth. I remember that many years ago, people were talking about 700 million shirts being exchanged for one Boeing 747. Now China has become the largest exporter in the world and there is a trend toward quality production. How do you view this trend? Even though things may be slowing down, quality given more importance, which I think is needed. How can we continue this transition from high-speed to high-quality growth, and what do we still need to be cautious of as we continue that positive momentum?

Stephen S. Roach: First is the IMF's forecast revision by half a percentage point. In the way that forecasting accuracy goes these days, it's an upward revision, but it doesn't change the basic story of an economy that is still growing at best about half the pace that it did in the high-growth era when the Chinese economy grew at 10% for 31 years from 1980 to 2011.

You're right that as the base gets bigger, smaller increments mean more. But my point on the growth shock is that this has been abrupt and the slowdown has been concentrated in the last few years. When China was growing rapidly for much longer than anybody thought, the expectations were built in that China and the world could count on rapid growth, irrespective of the base effects going forward. This notion that the leadership continues to boast about in addressing global forums, like the China Development Forum at the end of March where I think I heard that China accounts for 35% of global growth, is out of date. That number is no longer accurate and it's going to get smaller.

Your final point though is the most important, which is moving away from a focus on the quantity to the quality of growth. I've had the privilege and the opportunity of making speeches in this country every year in the last quarter of a

century. I've always pounded the table on precisely that, shifting from a fixation on quantity to improving the quality of economic growth. How do we measure the quality of economic growth? You can measure it through environmental metrics. I was delighted to wake up this morning, drive across town, and see a beautiful blue sky in Beijing. I think there has been some improvement in air quality in China over the last, I don't know, ten years.

My favourite scientific metric for quality though, is total factor productivity (TFP) and the trend there is worrisome. From the 2011–2019 ten-year period, TFP growth, as we call it, has been dropping by a little over 1% a year. And that follows a big upsurge in the prior 15 years. That is a worrisome sign of the deteriorating quality of Chinese economic growth because it raises questions about the efficiency of labour and capital in generating sustained growth in overall economic output. You cannot have high-quality growth with weak TFP.

The final metric to think about, and it gets a lot of discussion in China, is the measurement of the equality or inequality of income distribution. The conclusion is pretty straightforward based on most metrics that China—and China is not alone in this respect—certainly has problems with mounting income inequality as well.

Sources of Growth in China

Henry Huiyao Wang: We need to address inequalities. A better life for its people is really what the Chinese government is striving for, so while maintaining high quality, we also have to maintain equality.

But I'd like to touch on another issue that you've raised. You've mentioned Japan and its aging population and whether China is going to repeat what Japan has gone through. What is the impetus or next driving force for the Chinese economy? The real estate market, as you mentioned, is slowing down. What is the next, the biggest, transformative policy that the government can propose?

Here I'd like to discuss a bit of our thinking with you. The Third Plenum of the 20th Party Congress is going to be held in July and we're expecting a lot of new policies. Premier Li mentioned at the China Development Forum in March this year that the urbanization of 300 million migrant workers would probably be the next driving force, so I'm thinking about how we can transform that into a concrete policy in addition to trade-in and other policies.

In the last 45 years of opening up, every ten years, China has always come out with a revolutionary policy that has pushed the the process forward. For example, in the 80s, the government implemented a policy of contracting the land for the farmers to grow whatever they liked, breaking away from the planned economy. This took Chinese society from a state of shortage to a state of abundance. That policy changed China dramatically.

Then in the second decade, the government realized that the real estate market in the cities privatized flats in cities that could be sold to workers and other urban residents at a minimum cost, which meant that everybody in cities already owned

or could by an apartment, which created a middle-class of 400 people.

Then in the early 2000s, China joined the WTO, which was another revolutionary event. Before that, only a handful of SOEs were allowed to conduct foreign trade, which is now open to six million companies, making China the largest trading nation in the world.

In the last ten to fifteen years, what revolutionary policy have we tapped into? Premier Li's comment at the China Development Forum made me think, and as you also mentioned in your presentation, Japan, the US, and other Western countries have an urbanization rate of 80%, whereas China is at only 66% according to Premier Li. Yet only 50% of urban dwellers in China have a "hukou" and the benefits of urban residency; the remaining 16% do not. So, we are talking about 300 million migrant workers living in cities but not enjoying the benefits thereof.

The reason for this is that they have land in rural areas, but that land is unused and populated with only elderly family members and young children. Meanwhile, they are also renting apartments in cities, which creates a lot of redundancy and waste.

I'm thinking that, similar to the privatization of apartments in the 1990s for urban workers, maybe we should allow the farmers who have already settled in cities to sell their rural land holdings and use that money for a down payment on real estate in cities. This could lower the number of people travelling during the Chinese New Year and contribute to social justice. Would that be the low-hanging fruit we're looking for?

Stephen S. Roach: I like your thinking. I would like to broaden it out, though, because you introduced this by saying every 10 to 15 years, there's a big change that injects new energy, a new source of growth into China. I have been pounding the table for longer than I can remember about the need for a new impetus to household sector private consumption in China. The numbers are very clear. The latest share of Chinese GDP going to private household consumption is below 38%, which is ridiculously low.

Now, your proposal goes right to one aspect of that, which is the 300 million migrant workers who clearly have the potential to be tapped as a new source of consumption. I would say that that is necessary but not sufficient. So, I'm endorsing you, but it is equally necessary to inject much more funding and vitality into the social safety net—healthcare and retirement—because I think that is the biggest impediment to discretionary consumption as it keeps families who are aging rapidly predisposed toward precautionary saving to provide for the future. To the extent that a nonsignificant portion of those families lack hukous because of their residency preference, that would exacerbate the problem. So, I would combine the two into a much broader program, aimed at injecting new stimulus into private household consumption in China.

I'd just like to say one other thing about the current Chinese policy strategy. Like you, I was also at the China Development Forum and heard Premier Li address policy priorities for China. He repeated a theme that he had emphasized

in his work report a month earlier to the National People's Congress, saying that the real priority was to focus on new productive forces aimed at boosting manufacturing and, in particular, a new round of export-led growth in China. He mentioned, in addition to that, the need to stimulate domestic demand along the lines of what you and I have been talking about.

The first priority, though, is one that is clearly causing a lot of negative reaction in the US as well as increasingly in the G7, and it's all wrapped up in this excess capacity debate that I alluded to in my own comment. This twofold strategy is important for China, but it creates conflicts that I think are also problematic in shaping the growth outlook in this country.

Henry Huiyao Wang: You emphasized that a new, strong impetus or revolutionary policy is badly needed, not only in China but also in the world. I think real estate is one of the biggest factors because in the Chinese traditional thinking, physical assets instill confidence. If you are confident, you'll spend more and not keep your wallet close to your chest. Stabilizing the real estate market is crucial and I've read somewhere that there are enough apartments in China to house 200 million people. If we move all the 300 million migrant workers to the cities and give them a legitimate status, they would also contribute to China's stability.

Now I'd like to ask another question. You just mentioned new quality productive forces, but what about the tension surrounding tariffs President Biden placed on EV cars, batteries, solar and other green energy technologies and products. According to the International Energy Agency, we will need at least 800 gigawatts of new green power to combat climate change. Today we only produce a quarter of that. The world needs to spend \$4.5 trillion a year on green energy, but it's only spending \$1.8 trillion at the moment. I even read that the European government is considering extending their phase-out of diesel and gasoline-driven cars from 2035 to 2040, because they want to extend the life of diesel and gasoline cars.

If climate change is so bad, it's really strange to see the US and other Western countries calling for more products and technologies that combat climate change while at the same time placing tariffs on Chinese products. 90% of commercial aircraft are from Boeing and Airbus, but this isn't seen as overcapacity.

I just want to get a non-Chinese perspective. We urgently need more green products in this world, and China, through years of experiment, hard work, and trial has made these products available. But some countries are complaining about overcapacity. What is your take on this question?

Stephen S. Roach: I think it borders on insanity. In a world that is facing unmistakable signs of climate change, there is no such thing as "excess capacity" in non-carbon green energy products. If anything, there's a shortage of alternative energy products.

China is providing an enormous service and a benefit to the world in producing low-cost clean energy products that the world desperately needs to

protect itself against the ravages of climate change. China has the technology, the scale, and therefore, by definition, the comparative advantage in delivering exactly what a climate-torn world needs.

We resist this purely for political pressures because we have this desire, led by the United States, to contain Chinese economic growth and development. We also have, as you have in China, national security concerns. I can think of no greater threat to national security than destabilizing the world's climate. So if we're serious about looking at national security or from the standpoint of the security of our planet, we need to be much more appreciative of the need to allow the nations that have a comparative advantage in giving the world what it needs support rather than resistance.

Creating a US-China Secretariat

Henry Huiyao Wang: The world is burning and we really need to work together. Your new book *Accidental Conflict*, *Accidental Conflict: America, China, and the Clash of False Narratives*, which you gave me last year and I found it's very fascinating.

The perceptions and narratives of both countries, China and the US, are totally different. How can we promote correct narratives? You talk about national security, but there's too much emphasis on national security and there are even more important issues like climate security, food security, energy security, environment security, and health security. We also recently just had a big symposium in Washington to talk about human security. Then there are security alliances, as opposed to the economic alliances that China has built up for globalization. I like the idea of a Secretariat for China-US relations. How can we create a healthy narrative and global governance focusing on common concerns rather than falling into two camps?

Stephen S. Roach: Well, let me just give you my theory behind your important question. When I started working on this book four or five years ago, I started out with some of the ideas that I summarized today, which is that we have in the United States many false impressions about China. Then, as I did the research, I also found a number of false impressions that China has about the United States as well. The reason that both nations have false impressions or false narratives about each other, and they have such important impacts on the policy actions that we take toward one another is because of politics. In my view, we let political pressures drive wrong-directional policies. That's true of trade policy in the US and it's true of China's concerns about America as a threat to its national sovereignty. I end the book by recognizing that the politically-driven process of engagement that both nations have embraced since the early 1970s is more driven by politicians than by technocrats. Politicians tend to operate on the basis of appealing to workers or promising their citizens a better life. They get us into trouble.

My proposal is for a new organization, which I call a US-China Secretariat, really changes the architecture of engagement between the two superpowers and takes it out of the hands of the politicians and the leaders who are driven by their own personal political agendas. With all due respect, China has the same problem that we do, and this concept puts it in the hands of technocrats who have a broad remit to deal with all aspects of the relationship, not just when the leaders meet once a year, but 24 hours a day, seven days a week. They would deal with trade, economics, innovation policy, technology transfer, industrial policies, subsidies, sustainable enterprises, and big existential issues like health, cyber, and climate.

It's an organization that is built around a collaborative model of research based on a common, mutually agreed upon database. It's an organization that collectively works on the oversight and compliance of existing bilateral agreements. Should disputes arise, it screens disputes and has a built-in dispute resolution mechanism. Ultimately, we need a new architecture for engagement since the current structure is creating conflict as opposed to providing conflict resolution. If we don't get serious about addressing our mutual issues, we will not have conflict resolution and will continue to have conflict escalation. That's the biggest risk of accidental conflict and we have to change it.

Henry Huiyao Wang: That's absolutely crucial and I'm all for this proposal. China and the US should really have a close working team. You mentioned policy on both sides and we see that globalization is affecting much of the working class, while Wall Street is hitting an all-time high. The Wall Street 1% is equal to 40–50% of the rest of the people in the US, which is a huge gap. There's a lot of social injustice, but we can't blame that all on China.

Stephen S. Roach: Politicians need someone to blame. That's why, again, I am not in favor of a political solution to the type of superpower conflict that we have.

Henry Huiyao Wang: I agree. And on that note, let's finish our dialogue by saying that we should increase dialogues and mutual exchanges, and create a new narrative since China and the US have a huge responsibility for human security and for the future to come.

Q&A Session

Global People: My name is Eason Zhen. My first question is actually based on an interview we had with Professor Roach about 11 years ago. Back then, Professor Roach said he was a long-term optimist of the Chinese economy. I'm wondering right now, do you still believe this?

My second question is about Sino-American relations. Professor Roach and Mr. Wang discussed certain false impressions China and the US have about each other, but what we see is when facing economic difficulties, China has a greater

consensus that cooperation with the US is a solution to economic stagnation, while US politicians tend to believe the relationship with China is a threat to their economic development. I think this is a great difference.

In this situation, from both of your perspectives, do you think the current trade disputes between China and the US demonstrate a long-term trend in US foreign policy toward China or is it more of a short-term policy? Is it just a symptom of US politicians trying to adjust to the new reality of the bilateral relationship between China and the US?

Stephen S. Roach: I will deal, first of all, with my own view. If I met you 11 years ago and I said I was optimistic over the long term, 11 years is a long term. I stayed optimistic probably for 10 of those 11 years. That's a long time, right?

More seriously, my outlook is certainly more cautious today than it was back then, and in fact, more cautious right now with respect to China going forward than it has been at any point in the 25 years when I was actively involved in following China's economy, both living here and from abroad.

I changed my view in the last year or so in large part for the reasons I mentioned in my presentation. The demographic changes are happening much more quickly than we thought. The UN demographic projections as recently as two to three years ago called for the Chinese population to peak in 2031. It happened in 2021, ten years earlier.

And number two is the TFP issue—total factor productivity. The trends have been weak and there are now growths of conscious policy choices that the Chinese government has made not only to throw more support behind low-productivity SOEs, but to put tighter regulations on higher-productivity in the private sector, especially internet platform companies.

The third and final consideration in my shift has to do with my deep-rooted concerns about the US-China conflict, which has really gone from bad to worse over the last few years and brings me to your second question on the conflict itself. There are different perceptions on both sides of the relationship about the role that each nation can play in supporting or in constraining each other's prosperity.

You're entirely correct. The Washington view is that China is a threat to long-term prosperity. China has not had that view about the United States until, I would say, the last year. It was a year ago at the National People's Congress in early 2023 when President Xi underscored for the first time concern that the US' China policies were now posing the long-term threat of suppression and all-around containment of China's growth and development objectives. And this represents a shift in his point of view as well.

Both of these perceptions come from different places, but they end with the same emphasis on mutually shared perceptions of conflict, which I think are worrisome for the long-term stability of our economic and political relationships.

I think there's still good spirit on a people-to-people basis, but over time even that becomes adversely affected if the economic, political, trade, and technology conflict continues to deepen.

Henry Huiyao Wang: As you mentioned, the Chinese economy is facing an aging population and other demographic changes, but on the other hand there's also more synergy now. We have the best infrastructure in the world and 70% of the world's 5G networks. We have 12 million freshly-graduated, well-educated professionals, and of course, 1.1 billion smartphone users. China has also already become a cashless society and productivity is at an all-time high in certain areas. I'm not that pessimistic, but things could change.

As for China-US relations, President Xi has said we have 1,000 reasons to be in good relations, not a single reason to be in bad relations. I think China was responding more to the hostile China policy of the US, but we still want to maintain good relations. President Xi has even invited 50,000 American young people to come to China.

Bloomberg News: My name is James Mayger. I have a question about overcapacity, but I want to sort of step away from the “three new” or the new energy products you're talking about and look more broadly at the economy. If you look at steel production or if you look at all the things that go into housing, production is still at the same level as it was before the three red lines policy was brought in. We're looking at a billion tons of steel being produced this year, but demand for that domestically is nowhere near where it was. So that's being exported and there were record steel exports. You're seeing petrochemical exports for plastics and also things that can't be used in housing anymore in China are being exported.

If you think about the green transition and decarbonization, steel production is a big driver of carbon emissions, so it would seem that China is exporting these products because it has continued to produce domestically, even though there really isn't a need for it to even be making these products in the first place. And then making those products leads to greater carbon emissions.

So, sort of thinking about the overcapacity question more broadly than just batteries and EVs and solar panels, do you think that there needs to be more done in China to deal with the capacity issues that are being seen in the industrial economy?

My second question is on the tariffs that the US has put in place specifically. The argument of the USTR and the government is that they're providing space for domestic industry and for foreign investment to build those same sectors in the US that China built over the last 10 years in China. Their argument is that this will lead to the production of these products in the US, which will eventually drive down the prices because it will lead to a competitive industry in the US and also in China. Do you not think this is a useful policy choice? And over the long term, do you think it will lead to cheaper prices for these goods globally?

Stephen S. Roach: Well, you know, I think that there are certain areas—and you point to steel—where there is a supply-demand imbalance domestically that is being reflected in sending that supply out into foreign markets. I would argue

that it is a symptom of a bigger problem in China, which is too much support of the industrial sector, now being driven by state-owned enterprises that are less susceptible to market pressures, preventing a more rational balance between supply and demand.

I think the emphasis on SOE-led industrial activity does create inefficiencies with important global repercussions and that just underscores the need for intensified efforts at SOE reforms that over time, I think would begin to alleviate that type of problem.

The rationale that you described for putting up barriers to protect nascent green energy production in the developed world, I reject that completely. If anything, it will make the competitive pressures less intense as protectionism always does. I think the cost differential between US-China and EU-China on EV batteries, even solar panels is so wide that protectionism will again keep the global price level higher than might otherwise be the case. I think this is a tax on precisely the types of products that a world afflicted with climate change needs more than ever and I would not be in favor of or support that type of rationale, to just "give us time to catch up."

China Internet Information Center: You have just stressed the importance of total factor productivity and said that China cannot achieve high-quality growth with weak total factor productivity. So, my first question is what are your suggestions for the Chinese government to improve total factor productivity? My second question is how would you evaluate the trade relations between China and the US as well as the impact of the US election on those relations?

Stephen S. Roach: There's a long debate of this in the economic and policy literature on TFP policies. Investing in human capital and innovation is all part of the agenda. These are areas where I think China is in very good shape to boost TFP.

My theme that I have underscored several times today is to shift the mix of economic support away from low-productivity SOEs to the higher-productivity private sector, especially technology companies. Without doing that, many of the other things that are being achieved so successfully in China will just get lost in the equation. That would be my single most important objective.

In terms of the election, what we've seen from President Biden has been a surprising and disappointing continuation of the protectionist approach that was sparked by President Trump. I don't see any signs that President Biden is going to rethink this approach should he be reelected at the end of this year. And former President Trump, who, the last I checked, is still running even though he might be behind bars in November, is in favor of massive further increases of tariffs on Chinese products. I don't think we can count on him for delivering spontaneous relief on the US-China trade front either.

China Daily: I've got two questions. My first question is, China has made progress in containing risk from a debt deflation loop and increasing efforts to

support housing inventory consumption, do you see those moves stabilizing the economy, and what efforts are needed to boost China's economic recovery and tackle some of its structural issues?

My second question is about how China's top leadership has recently addressed the importance of deepening economic structural reforms. The Third Plenum will be held in July with a key focus on reforms. So, what should be the key policy focus for China to deepen economic reforms?

Stephen S. Roach: The recent initiatives, I think, are steps in the right direction, but only steps. The property sector package has the right focus aimed at absorbing the inventory overhang of unsold housing units. However, the funding support as announced by the People's Bank of China is too small.

If there's a lesson that we've learned from earlier housing property crises, whether in Japan or the United States, is you need what we call a big bazooka. That means a big gun, a large package. Err on the side of doing too much, not too little. This package is too little. It's incremental. It absorbs only a small portion of the overhang. It's going in the right direction, but it needs far more funding support to really make a major dent in the overhang of unsold housing units.

In terms of the upcoming Third Plenum, I think the government has been very explicit and emphasizing, whether it's President Xi or Premier Li, the efforts on new productive forces, and new technologies. In fact, President Xi even indicated in a signed article late last year that his metric of success would be TFP. So that's very clear. What's not clear though is the second issue, which Henry and I have both addressed, and that is to really deepen and expand the emphasis on supporting consumer-led rebalancing in China.

Henry has some proposals on hukou reform and transferring ownership of rural residences. That is very important and I support them. I have made recommendations for years on the social safety net, healthcare, and retirement. I think policies need to be formulated more explicitly and more comprehensively to address the shortfall of domestic household consumption in China. Without the Chinese consumer, I think economic growth is going to remain a big question mark in the years ahead. The Third Plenum is the time to address that and I would hope that more progress would be made in the upcoming reform agenda.

Economic Incentives and “Bilateral+Multilateral Cooperation

As the world continues to change and shifts in global power structures, whether in economies or geopolitics, slowly take shape, it is clear that bilateral and multilateral relationships will become increasingly important despite the decisive nature of great-power relations. The economic incentives provided by smaller economies from Estonia and Croatia to Papua New Guinea, Brazil and Pakistan, as well as Africa, not only have great potential for growth, but also innovation.

Examples of innovative economic opportunity about in smaller economies. In Estonia, their “small but beautiful” model has produced efficient e-governance services and attractive investment and immigration options that are attracting many young people. Meanwhile, Croatia’s unique geographic location on the Adriatic Sea make it a bridge between Europe and Asia as well as a popular tourist destination. Papua New Guinea, on the other hand, represents the unique challenges faced by island nations in a world threatened by climate change and the economic consequences of rising ocean levels and higher water temperatures.

In slightly larger developing economies like Brazil and Pakistan, the focus is on expanding relations with other developing economies, not least of which China. Having reached similar stages of development, these countries now serve as leaders of other Global South economies and provide important lessons and support to them.

African nations have perhaps the greatest potential for growth thanks to their abundant resources and young labor force. In partnering with developing economies, especially China, growth models have changed to become more egalitarian and mutually beneficial.

Ultimately, the diversity of opportunities and challenges of smaller economies have the potential to create even greater economic incentives for both themselves and more developed economies, which should be cultivated and nurtured to develop positive cycles of global development.

China-Estonia Economic and Trade Cooperation, and the Future Development of China-Europe Relations

A Dialogue with Margus Tsahkna

Henry Huiyao Wang and Margus Tsahkna

Smaller countries are often overlooked in an age of “big power politics”, but the innovation and perspective that they bring, as well as their association to larger multinational institutions and unions cannot be overlooked. Estonia, one of the Baltic States, has an incredible history, a brilliant culture and a unique perspective on issues related to issues both large and small.

In the following dialogue, Minister Margus Tsahkna and Dr. Henry Huiyao Wang, Founder and President of CCG, discuss relations between China and Estonia, the importance of developments in EU-China relations as well as the mutual benefits that China and Estonia can bring to each other in terms of governance, investment, new technologies and climate change. Ambassadors from Armenia, Bulgaria, Croatia, Latvia, Greece, Mexico, and North Macedonia, diplomatic representatives from Cambodia, the Czech Republic, the EU Delegation, Hungary, Indonesia, Malta, Morocco, the Netherlands, Pakistan, Poland, Portugal, Spain, Turkey, and Ukraine also participated the event.

Margus Tsahkna is the Minister of Foreign Affairs of the Republic of Estonia from 17 April 2023. He was born in Tartu on 13 April 1977. He is married and the father of a daughter and three sons. Tsahkna joined the Eesti 200 political party in 2018 and is a member of the board of the party. Prior to that, he was a member of the political parties Pro Patria Union and Pro Patria and Res Publica Union.



Henry Huiyao Wang in dialogue with Margus Tsahkna at CCG's Beijing office

Over the past two years, CCG has had the privilege of hosting many European leaders, including foreign ministers from Croatia, Portugal, Slovenia, and Turkey, just to name a few. Minister Tsahkna's visit continues this tradition.

Henry Huiyao Wang: I'd like to start with some questions regarding people-to-people exchanges and youth connectivity.

As you know, CCG runs a program called the Global Young Leaders Dialogue. China's new visa-free entry policy now covers many EU member states and it was just announced yesterday that this would be extended. How can we turn the convenience that this policy provides into more meaningful two-way exchanges? Could we consider some initiatives for young people, such as joint youth innovation camps, startup incubation exchanges, or joint youth internship programs?

I think Estonia and China have many complementary roles to play in this regard. What kind of "small but beautiful" partnerships do you think could produce the most tangible results for our two countries?

Margus Tsahkna: Today, we don't say "small and beautiful," but "big and beautiful," because some world leaders are using these words a lot—big and beautiful.

Person-to-person exchanges are very important. And I'm just opening from an Estonian perspective, because everybody knows about China in Estonia—of course, it's impossible not to know—and lots of Estonians are coming here as well. What we are talking about now is actually youth exchanges with young

people coming to Estonia and the other way around.

The keyword is education and one thing I can say is that in all of the global indexes, Estonia's educational level is at the top, including our universities and technical universities. But also I think there are many things to learn from China and I think we need to collaborate much more in technical education. I don't see any barriers to this.

Of course, visa liberalisation is something which is very supportive, but also Estonia is very much open to digital solutions, like our e-Residency program, which is a real thing. You can find it at e-resident.ee. The conditions are very easy to meet to become an e-Resident of Estonia and it brings you closer to the Estonian world. It's also really easy to start and run businesses in this environment. You don't even need to physically come to Estonia to establish a company. Also, startups are mainly started by young people, to be honest.

One problem we have in Estonia is not a lack of ideas—we have lots of great ideas, as you do in China, of course—but we lack the capability to upscale our businesses and ideas. This cooperation is definitely an opportunity for our two nations to collaborate, so our responsibility as governments is to put the conditions on the table so that our people can be more connected and also these ideas can be scaled up.

Henry Huiyao Wang: That's a great description of Estonia's vision. You've mentioned that Estonia has the number of unicorns per capita in the world, that's very impressive.

I'm thinking about what kind of digital governance and practical cooperation we can achieve between Estonia and China since Estonia is also recognised as a leader in e-government and digital identity.

Do you also see some opportunities for China and Estonia to carry out small-scale, low-sensitivity pilot projects in areas like business facilitation to share best practices and build concrete models of collaboration?

I know there are many businesspeople from all over the world who have gone to Estonia, but China is also a big market and highly advanced in the digital sector. Maybe there's something we can think about and collaborate on, particularly in terms of e-governance and how it can connect our two systems.

Margus Tsahkna: Yes, of course, China is a huge market. Our companies are mainly in European markets, but as a foreign service, I can assure you as well that we are working heavily to support our companies in regions where we are not as active. Of course, China is a huge market, but also a very regulated market, to be honest, and China can do more to open up its market. We are part of the European Union as well and trade is mainly covered by the European Commission, so any kind of agreement between the European Union and China on free trade, subsidies, and so on would open the market for our companies as well.

In the opposite direction, if we are talking about the tech sector and investments in the European Union, I think that Estonia is one of the best

environments for this. I'm sure that Chinese businesses can easily find great ideas to invest and scale up.

But if we come back to the elephant in the room – by which I mean negotiations between the European Union and China. One big thing for Estonia is that it is one of a few European that has rare earth resources, so we have long-term plans for this and for our energy transition. One thing that unites our goals is actually climate change, which China, the European Union, and Estonia are working hard to control. Estonia is in the middle of a transition in its energy sector, which I see as an area for collaboration.

Henry Huiyao Wang: Speaking of energy, I've been to Estonia, and it's very green and well developed. China has also achieved remarkable progress. You can see how beautiful Beijing has become now, if you were here ten years ago, you'd notice that today we've got blue, clear skies.

How do you think the EU, including Estonia, as strong defenders in the fight against climate change, can contribute? I just got back from Paris, where they celebrated the 10th anniversary of the Paris Climate Agreement. I think there's a real sense of green development and a green consensus in this area and while some countries may say this is "fake news," in China, and of course, in Estonia and the EU, we truly believe this is something we all need to work on together.

So, how do you think Estonia and China can cooperate more on green transition and green development? China is now a leader in green industries and products, so maybe we could cooperate in that area as well.

Maybe you can share your thoughts on how, in a multilateral context, we can continue to leverage sustainable development as a key shared value between China, the EU, and Estonia.

Margus Tsahkna: Estonia has very precise goals about the climate. We have a goal for 100% renewable energy by 2030. The government is discussing whether we are can actually reach this goal or not, but we'll definitely do it.

I think that maybe 80% or so of the technology for green energy is coming actually from China, so China is actually close to having a monopoly in the European Union and the energy sector.

In Estonia, we are putting together a cocktail of different energy opportunities, starting with solar and wind, but also we are looking at nuclear. This is something our government is working on over the next few decades. But we're also are part of the European Union market and negotiations regarding this so-called "green turn" so we must be competitive in the global market as well.

This is something you mentioned as well—that it's not so easy. But if we're talking about the environment, please come to Estonia. You's love it—you can drink water from the spring. Today is very beautiful weather, I heard, but it's my first time in Beijing and you never have air this bad in Estonia. You can breathe clean air, you can swim, you can do whatever. You can go to the forest—we have lots of forests. So maybe this isn't just between governments. It's also to remind people that it is possible to have a green environment around you, which is

something we're working hard at.

Henry Huiyao Wang: We need to strengthen people-to-people exchanges and experience both the clean air and space that China is gradually providing, and, of course, Estonia as well. We can always work on that.

Now let's talk about China, Estonia, and China-EU relations. Just last week, China and the US had a summit and basically agreed on a ceasefire in the "trade war". I think President Trump said that on a scale from 1 to 10, this was a 12. He said we should get out of this vicious cycle of retaliating against each other.

What do you think about China and the EU, given that both among each other's largest trading partners? Iceland and Switzerland also have FTAs with China, which is great. I had dinner with the Swiss Assistant Secretary of State just about a week ago and we discussed this topic. Even Japan and South Korea are starting to talk about an FTA with China, but how can the EU and China stabilise trade relations and also welcome more investment?

We know that China has been investing in many EU countries like Hungary, Serbia, and Spain. We have a good political relationship. The former Prime Minister of Spain visited China twice in two years and the King of Spain is coming next. We're going to see more Chinese investment going to Spain.

If we have a good relationship between the EU and China, we will see more investment and business opportunities on both sides. So what do you think about this perspective, and how can we strengthen the cooperation?

Margus Tsahkna: I think from China's perspective, especially with President Trump's trade war with tariffs and other conditions, the meeting between the two presidents went well. It also went well for the European Union, because the restrictions on rare earth metals were postponed. This was good news. As I understand, Germany actually surpassed the US in trade with China, so Europe is important for China as well. It may be more interesting to take the European Union countries individually and develop special relations with everybody. But the European Union is still an economic unity and that's why we need to collaborate.

But I'd like to come back to what we discuss every month in the Foreign Council—EU-China relations on a political level, not only trade. This is why the European Union is very careful about China, because of Russia's aggression. China is a very powerful partner, mainly in technology, especially energy-related technologies, which I mentioned before. But trade is not balanced between the European Union and China and that's why a free trade agreement is good for everybody. But trade must be free, and that's why it is harder to reach that agreement from the European Union side. Of course, free trade globally would be a great thing, but unfortunately, it's still not free and that's why these negotiations are really complicated. But maybe the US is pushing us to do this agreement. Let's see.

Henry Huiyao Wang: The US is pushing China, India, Canada, and many other

countries. China and the US have made a lot of progress in trade talks. I hope that China and the EU can do the same, because if any country in the EU has a good relationship with China, then there will be a lot of investment.

I was also recently in the UK, which hasn't imposed any tariffs on China. This means that you see a lot of the double-decker buses in London are from BYD and Ubers in London are from Geely and other Chinese EV manufacturers. I think there's huge potential for collaboration if we have good relations.

Now, you talked about the war between Ukraine and Russia. At the recent BRICS Foreign Ministers Meeting, Minister Wang Yi actually said that BRICS countries are some of the best promoters of peace and peace-making efforts. Maybe China and countries like India, Brazil, Turkey, and others could also help contribute to these peace efforts.

I know that President Xi and President Trump had a discussion in Busan, South Korea, last week, and they talked quite extensively on the Ukraine issue. I hope that China, the US, and the EU can work together toward peace in Europe. We should a way to hold a UN summit or some kind of peace summit, to promote that. Estonia can be part of that as well of course.

Margus Tsahkna: I think that China could stop the war very quickly just by making a phone call to President Putin and saying, "You need to stop right now," because Russia is more and more dependent on China every day, because the Russian economy is getting weaker every day.

We don't need to gather on different conferences. Instead, we need to push Putin on the position that he really would like to have peace. He's had the opportunity many times to start real peace negotiations, which start with a ceasefire. A ceasefire is easy for Putin: a phone call to whoever is there on the frontline, and this ceasefire will start. The problem is that he doesn't have this willingness. But together, as you said, we can push Putin on this position that he must start the meaningful peace process. And that's why I really welcome your idea: let's push Putin together. We do as much as we can from the European side.

Henry Huiyao Wang: I think that when you talk about phone calls, it's not that simple. President Trump made many phone calls to Putin, but they didn't really make any progress.

Margus Tsahkna: But now, to be honest, Putin is more concerned and worried, maybe even in panic, because after Trump put sanctions on two very important companies, Putin sent a special envoy to D.C.. Sorry to say, but peace can come only through strength, and we can really work on that together.

Henry Huiyao Wang: I think it's possible to have multilateral or trilateral meetings on this issue that involve BRICS countries like China, India, Turkey, and others. As you said, having multiple players could really help in promoting peace.

You mentioned the UN and related matters. President Xi recently proposed

a Global Governance Initiative, stressing that we need to respect UN rules like sovereignty and other fundamental principles.

Having the leader of a big country like China emphasise this on a major international occasion, such as the Shanghai Cooperation Organisation summit, is significant and shows that China sticks to the UN principles. China has fulfilled all its obligations to the UN despite some delayed payments and has paid up all its dues. China also recently donated 500 million to the WHO, which the US, under Trump, had withheld. This is great and it's essential that we strengthen the UN.

I agree with you that UN principles and rules should really be upheld, so how can we strengthen UN cooperation? This is an important issue, because we don't want to marginalise the UN.

Margus Tsahkna: Thank you for mentioning the United Nations. There are many people in the world who say that maybe the United Nations is out of order already. But all the countries are gathered there and the General Assembly is working well to make declarations. If you look at the map of different voting trends, it's clear that a very large majority of the countries are sticking to the United Nations Charter and also to principles and multilateralism. But if one country is able to change the borders through military force, it affects others like dominoes.

But the main problem is the Security Council. Estonia does not belong to this Security Council. Unfortunately, we only served as a non-permanent member for two years. We did what we could, but the permanent members are the main problem and one is an active aggressor. This enables the Security Council to continue using the veto. We need a reform somehow, because it goes the same way as the League of Nations at the end of the 1930s. The deal was made after the First World War, but was not relevant anymore for the balance in the world and some leaders just violated it. It was exactly like a domino effect, and the cost for everybody was really high. I hope this doesn't happen to the UN. This is also a responsibility as well for China, as a permanent member of the Security Council, to guarantee that these principles will last. And you can rely on Estonia, definitely.

Henry Huiyao Wang: China is actually a strong promoter of the UN system, UN values, and UN principles. So it's great that we have that.

Q&A Session

Journalist, China Radio International: I'm Sabrina from China Radio International. China is entering its 15th Five-Year Plan, and the quality production has become the key focus for this five-year period. What new opportunities do you think the next Five-Year Plan can bring to bilateral

cooperation with Estonia?

Margus Tsahkna: As I understand, the question was about China's new Five-Year Plan.

Henry Huiyao Wang: And the opportunity for cooperation between China and Estonia.

Margus Tsahkna: It depends on China. Your Five-Year Plans are large-scale plans and my visit here is a sign that we are very much interested in more cooperation between our two countries. But I always come back to basic principles and what we disagree on sometimes. The question for me, not even for Estonia, is: what is the Five-Year Plan for China on the global level about security policy and international relations with the European Union and as a global player in the world? Because, let's be frank, there is like a struggle between the US and China over economic power in the world as well. And these negotiations with President Trump are about this. Estonia with our 1.3 million people, is not a player there, but we are part of the European Union.

What I do hope is that China and the European Union will have strategic ownership and understanding of the principles of the United Nations Charter, respecting and understanding that aggression in the middle of Europe by Russia is not accepted. I do hope that for five years we will have a long-lasting and just peace in Europe by Russia, and it enables and gives opportunities for further cooperation on a new level.

Croatia as a Mediterranean and Central European Connection between the European Union and Asia: Perspectives for Cooperation with China

A Dialogue with Gordon Grlić-Radman

Henry Huiyao Wang and Gordon Grlić-Radman

With a unique history and location, Croatia is representative of a number of emerging economies that are contributing to global development and a new model of global governance. This is especially true in terms of China, which continues to actively engage with these countries to ensure a more balanced multilateral model of exchange with the world, particularly in its relations with larger power centers like the European Union.

In the following dialogue, H.E. Gordon Grlić-Radman and CCG President Henry Huiyao Wang explore the history of Europe's relations with China and the wider Asian region, current exchanges as well as Croatia's unique role in this context.



Henry Huiyao Wang in dialogue with Gordon Grlić-Radman at CCG's Beijing office

H.E. Gordon Grlić-Radman is a Croatian diplomat and politician serving as Minister of Foreign and European Affairs since July 2019. He started his career in business, working in Switzerland for Melior-Haefliger AG from 1984 to 1991. His political career began in the 1990s, in 2012, he was appointed as the Ambassador to Hungary, then in 2017, he was appointed as Ambassador to Germany. He graduated in international relations from the Faculty of Political Science of the University of Zagreb, where he obtained a PhD. Dr. Grlić-Radman is a true European as his language skills prove it: he masters in addition to his native Croatian, German, English, Bulgarian and Hungarian.

Henry Huiyao Wang: This year marks the 50th anniversary of EU-China relations and diplomatic ties, half a century has passed. You pointed out that Croatia has historically played an important role, starting with Marco Polo and even earlier. As regard of EU-China relationship, we have no border issues as being different parts of the world. But we share a long history of relations. Croatia represents itself in the EU and, as you mentioned, is also strategically located at the crossroads of the Mediterranean, Central Asia, and Central Europe. So, how can we further strengthen China-EU relations, particularly at a time when unilateralism is prevailing? We hope that we can continue to strengthen cooperation between China and the EU. Minister, what do you think are the key areas in which we can further enhance, improve, and enlarge China-EU relations, especially given the significance of this anniversary?

Of course, I know we talk about people-to-people exchanges, increasing business, relaxing visa policies to facilitate more visits, and so on. And I fully agree with you that dialogue is crucial. No matter what, we need to maintain high-level dialogue, intense discussions, and frequent visits. Your presence here in China is a great example. Whether it was coincidental or planned, I believe it is very important that you have this kick-off visit ahead of the EU-China Summit. So, on that note, do you have any points on the further cooperation between China and the EU?

Gordan Grlić-Radman: Of course, dialogue is just something natural, but I also think the readiness to maintain a compromise is important. Sometimes it's necessary. We are thinking out of the box. We were focused on how to get full EU membership, then enter the Schengen Area and Eurozone to be fully integrated with European Union. We are also looking to become a member of the OECD and it's good that we are among the eight candidate countries. I can say we are a frontrunner because of the statistics. We completed 20 discussions with 20 committees out of 25, and we expect to formalize our plans by the end of the year. In February next year, my Prime Minister and Secretary are going to sign this agreement. But of course, all OECD countries should ratify this document, and by the end of June, we hope to be a member of the OECD.

I also want to remind you of our activities toward countries like Central Asia,

which I visited for the first time in December last year. I started with Tajikistan, Uzbekistan, Kyrgyzstan, and after that Kazakhstan as well. But China is, of course, the second-largest economy in the world, sharing importance with the European Union, second or third, but it's a very important partner.

But of course, dialogue is not just an obligation; it's about mutual respect. Dialogue means reaching a compromise where both sides achieve a win-win outcome. That means both sides are satisfied with the result, but this only works when cooperation is based on respect for rules. Rules are the foundation of how we can work together. If you look at the situation in Ukraine, for example, there's a clear violation of international law and the UN Charter. So, when it comes to EU-China relations, there's huge economic potential. The economy makes a meaningful approach. I see this for Croatia bilaterally as well. As I mentioned, we have many Chinese companies in Croatia, but we want fair competition. We also want to see Croatian companies operating in China.

Henry Huiyao Wang: Absolutely, I think the outlined potential and, of course, the economy in this multipolar world, or multilateralism on the whole, is facing challenges, but it's crucial. Personally, I believe the China-EU relationship is an absolute necessity for conducting more dialogue. Croatia sets a leading example as a successful country. You joined the Schengen Area, adopted the Euro, and are on track for OECD membership, and I was so impressed when I visited your beautiful country.

The China-EU relationship is vital, as you mentioned, especially regarding the Russia-Ukraine war. I noticed that Mr. Wang Yi, at the BRICS Foreign Ministers' Meeting, said BRICS countries could serve as pillar of peace. For the Ukraine war, the US doesn't want to send troops, so it would likely be European troops and non-European troops involved. If China can play a more active role in mediating peace, it could add significant benefits to the EU.

At the same time, you mentioned compromise. Just a few days ago, China lifted sanctions on Buetikofer, which shows things are moving forward. I hope European leaders at the China-EU Summit will prioritize this economic potential, as many Chinese companies want to invest in Europe. However, we still face challenges like sanctions. We have to re-evaluate China-EU relations. I truly hope the China-EU Summit this time, will be a great success, fostering more economic cooperation against a tariff war, trade war. Neither the EU nor China wants a trade war, so we must work together.

Gordan Grlić-Radman: I think there is quite a big potential in China in terms of your size and, of course, your presence in the global market. But the more we invest politically and diplomatically in this space, the more stable and independent we are, allowing us to do more. There are so many hotspots, starting with Ukraine, and then the Middle East, and not to mention Africa, the youngest continent. We have to be active and be present there, investing even more in peace, and to respect multilateralism, as you mentioned. But we should be at a higher level when it comes to respect. It's about mutual respect and that's the

only magic formula for existing in this very turbulent world.

Henry Huiyao Wang: Yes, absolutely. I was encouraged to see European countries, Canada, and others strongly condemn the situation in Gaza recently. I think China also supports understanding the two-state solution. I hope the narrative of this EU-China Summit will be positive. I had Pascal Lamy here talking about China-EU joint ventures, with Chinese companies reinvesting in Europe and opportunities in African countries and beyond. There's huge potential because the number of business entities on both continents is enormous, and this can benefit Africa, Latin America, and many other countries.

I really hope this EU-China Summit generates positive narrative rather than just challenges. As you said, we need to compromise. With so many EU country representatives here, I'm sure they have great ideas on how to improve this relationship.

Gordan Grlić-Radman: Yes, and it's theoretical, of course. What is an agreement? An agreement is the result of compromise. Compromise is a starting point for doing something good, something better. Considering China's permanent seat on the UN Security Council. The UN has a huge responsibility for peace worldwide. Our world is fragile but also vibrant immediate neighborhood.

Henry Huiyao Wang: Well, that's what we have seen now, China and Europe actually voted together at the UN General Assembly on peace initiatives, while the US and Russia voted together, one time. So we do have common language. In a multilateral move, China also donated \$50 million dollar to WHO. We could work together with our European friends. Now for a question on tourism. You know, Croatia is one of the best destinations in Europe and China has also relaxed visas for European countries to visit China. Is there potential for Croatia to open visas for China's tourists? And you know, there are a lot of people we even see on social media promoting Dubrovnik as globally unique.

Gordan Grlić-Radman: Yeah, you know, the European Union is 27 countries and we are obligated to follow European policies, but we are also very much interested in Chinese tourism. That's why yesterday I mentioned the idea of establishing a direct flight. Every year, the number of tourists from China visiting Croatia is growing. We have a population of four million, while the tourists visiting Croatia each year are 20 million. It is five times.

Not to be selfish, but I'm happy to see tourism flourishing in Croatia. Sometimes, we in Croatia don't fully appreciate the beauty of our own country. It often takes traveling abroad to realize just how beautiful our country is. As you said, "Wow, I didn't know this about my own country—it's so beautiful."

Henry Huiyao Wang: Good. You know, we watch Chinese television during prime time almost every day. There's often a report about how many European tourists have come to China. So, perhaps in the future, maybe there could be

an agreement where tourists could just go and visit Croatia through a special arrangement that doesn't require a Schengen visa.

Gordan Grlić-Radman: It's not just during the summer. It's extended throughout the year.

Henry Huiyao Wang: We hear about complaints from Chinese tourists that the EU visa is so difficult to get. So, but then there's a lot of tourists who want to go.

Q&A Session

CGTN Reporter: My first question is regarding the meeting with Mr. Wang Yi on Monday. How will you comment on the results of this visit to China?

My second question is, China and Croatia have continued to deepen cooperation in recent years, especially in trade and economy. The completion of the Pelješac Bridge, for example, has been a great example of the pragmatic cooperation between the two sides. How do you see the future prospects of cooperation between China and Croatia? And, even more broadly, the cooperation between China and Central and Eastern Europe? Thank you so much.

Gordan Grlić-Radman: I can say it's really a shame that I've already been a minister for six years and this is my first visit to China. We had the pandemic and Covid, and during the EU presidency, we faced many challenges. Unfortunately, we finished our EU presidency, but through our cooperation and communication, we were forced to adopt new forms of communication and cooperation.

But truly, I am so happy to be here, and I can honestly say that Croatia's success is also due to our honesty. Croatia has never had a hidden agenda or anything like that. Everything we've wanted to achieve because of our readiness and dedication. We worked hard to achieve what we have, and I believe that if someone sees Croatia as a success story for the region, then I'd say it's true that hard work pays off. As for the invitation, it's of course an open-ended invitation for you and for my counterpart, Wang Yi. He promised me that he would come over and take part in the Dubrovnik Forum, and we look forward to a return visit to Croatia as well.

The second question is about the huge potential I see between our two countries. As I mentioned today, there are some Croatian companies here. We are about to organize a business forum by the end of the year. My Prime Minister will be coming here with some other ministers, particularly from the economy, energy, and education sectors. There are many areas of common interest, and I believe we should focus more on these fields.

And so given our geopolitical position, we are very happy to be there. Croatia can serve as an entry point to the European market for everyone. If you look at the Adriatic Sea, we have six strategic ports, with the largest one being Rijeka. There's also the historical 19th-century railway from Budapest to Rijeka, built

in 1878. Rijeka was an important port, and today, there's the island of Krk, the largest Croatian island is very close to Rijeka.

The LNG terminal started to be operational since January 2021. At that time, we knew that we had to be dedicated to energy diversification, before the Russian aggression against Ukraine. Because of this situation, our government decided to double its LNG capacity up to 6.1 BCM. Besides the LNG terminal, there is also the Adriatic Early Pipeline on the island of Krk, which can supply the Western Balkans, our countries, regions, our neighbors in Hungary, and even Slovakia, Slovenia and the Czech Republic. We've offered our energy resources to everyone. Croatia is becoming an energy hub.

Aiping Huang, Xinhua News Agency: I think lately we have observed that Europe has maintained the EU strategy towards China, which has shifted from de-risking to a more nuanced approach of re-engagement. So what is Croatia's perspective on the EU's adjustment of its de-risking strategy towards China?

Gordan Grlić-Radman: But I am very positive and optimistic in this regard. It is now in the interest of the European Union, and of course, also in China. We see China as a respectable and remarkable country with great potential. Not to mention that China is of second or third place in the world. We also need to realize that the world has become a small village, and we should rely on each other. And of course, if you see the future for the next generation, and we should invest even more politically, diplomatically. And so everything, what just could ensure that this world will exist.

China, Papua New Guinea, and the Pacific Islands: Cooperation for a Sustainable 21st Century

A Dialogue with Peter O'Neill

David Morris and Peter O'Neill

As health crises, climate change, technology and other global issues continue to challenge the status quo, the developing world is sometimes the hardest hit, especially smaller nations whose economies are not as large or diverse as others. As the largest developing economy in the world today, China is in a unique position to share its experiences with these countries to ensure their security and stability in the 21st century.

In this dialogue, David Morris, on behalf of Dr. Wang Huiyao who is currently on an overseas visit, and Peter O'Neill cover topics related to Papua New Guinea's unique situation as a developing island country, the unique challenges it faces and how China has contributed to its development vis-à-vis other countries. They also explore how the delicate environmental and economic state of smaller countries are especially susceptible to global fluctuations and how stability is essential to their long-term prosperity.



David Morris in dialogue with Peter O'Neill at CCG's Beijing office

Peter O'Neill is former Prime Minister of Papua New Guinea. He served as company director for various companies and statutory institutions including Executive Chairman of the PNG Banking Corporation, Rural Development Bank, Motor Vehicle Insurance Trust and Pacific MMI Insurance prior to entering national politics in 2002. He first elected in 2002 National General Election as Member for Ialibu-Pangia and every election since. He served as Prime Minister of Papua New Guinea from 2012 until his resignation in May 2019.

David Morris is President and Executive Director of 1EarthVillage, a new platform for international connectivity and cross-cultural understanding. He is a distinguished former Australian and multilateral diplomat and senior adviser to governments, businesses, universities and international organizations. He is Vice-Chair of the United Nations Sustainable Business Network for Asia Pacific, which advises the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and advocates for business leadership in achieving the 2030 Agenda for Sustainable Development. He is also CCG Non-resident Senior Fellow.

Diversity and Abundance in Papua New Guinea

David Morris: I've enjoyed visiting Papua New Guinea about a dozen times and one of the things I have to say to those who haven't had that privilege, is that it's such an interesting place because it's so culturally diverse. This is a country of 800 different language groups and incredible cultural traditions.

And so I thought we might take the opportunity to ask you just to introduce to us the cultures of Papua New Guinea and in particular, why this is relevant to China. One element that I would think is very relevant if you're a Chinese investor would be to understand customary land ownership and some traditional cultural questions.

Peter O'Neill: Papua New Guinea is quite a large country in the Pacific, including half of the island of New Guinea which we call Papua, the other side of which is under the governance of Indonesia, and on our side is Papua New Guinea, which is a country of its own. But we have the same traditions and ethnic grouping, with about 13 million people on the other side and about 17 million people on our side. So, you're talking about 30 million people on one island, 30 million people with some of the most abundant resources in the world, including gold, copper, gas, and oil, which are being developed in stages at the moment. Culturally, we speak 800 completely different languages in Papua New Guinea, with over 1,000 different tribes. On the other side, they were close to about 300 different languages from what I am told, so on one island of 30 million people, you got almost over 1,100 different languages spoken.

It's quite a diverse country and when you go and visit each of these villages, you'll see that the dances and traditional dress are completely different from each other. This is mostly because of the rugged mountains terrain and dense forest, which made contacts were very isolated for many years. Only the coastal areas, because of some trading influence between Indonesia and other Asian countries that came into the coastal areas, but within the mountains things are very distinct and very isolated. Trying to build infrastructure through there with very limited resources and budget is quite challenging.

When we were in government, we tried our very best to access some of these communities, some of which had maybe 500 or 1,000 people, but they still deserve our attention. They need their kids to go to school, they need the health services, and they need infrastructure. These are the sort of countries that David and I have first-hand experience in, so we take it for granted. But it's quite a delightful experience for any new visitor coming into PNG.

And in terms of the environment, it's very pristine. The ocean is completely blue and some islands have no people living on them and there are untouched beaches where you could be the only person on the island. It's quite a beautiful country. Many Chinese go to Papua New Guinea and we currently have over 30,000 or 40,000 Chinese who live, work and do business there. Many of these are already third or fourth generation immigrants who only visit China. When they come to China, they all want to go back to PNG, because the country has fewer people, more resources, and better opportunities. You can see a lot of Chinese who go there do very well because they are hardworking people. Unfortunately, for my side of the population in PNG and the Pacific, we take life for granted, so we are a little bit slow in doing things and have a relaxed life. But hard-working people do well in our country.

Industrial Potential in Papua

David Morris: There's a reason why the national bird is called the bird of paradise because we've just heard from Peter O'Neill about how parts of Papua New Guinea really are paradise, quite natural and pure wilderness.

But there are huge challenges for the people of Papua New Guinea. We've already heard about the rapidly growing population. I can remember it seems like yesterday that Papua New Guinea had 9 million people. That wasn't that many years ago. And now to hear of 17 million, this is an opportunity and a challenge. It's a huge challenge to have such a rapidly growing population and such a young population, combined with the processes of development and a wealthy energy and resources sector, but then contrasted with a lack of wealth in other parts of the community. But equally, it's a huge opportunity. Having such a young and rapidly growing population is a real opportunity for economic growth. The question is how to capture that opportunity? What are the industries with real potential for Papua New Guinea in the decades ahead?

Peter O'Neill: In Papua New Guinea, less than 60% of our population is under 25 years of age.

Around 2011–2012, when we took the government, I introduced free education and free health care and we were able to migrate a few of them to better schools and enable them to learn to read and write. Unfortunately, the new government under the new prime minister has not been able to continue that program. He wanted to change the policy to better suit his own education system in the country. That meant that many of these young people were displaced from the schools because the parents were unable to pay for the school fees. The policy of free education has been canceled.

Now, the biggest opportunity is to equip these young people with more skills, so they can either find meaningful employment, get into business or obtain the skills to look after themselves. That's where the great opportunities for industries, resource development, mining, and oil and gas, mining all lie as they require large numbers of skilled workers. In agriculture, we have some of the most fertile soil in the world, because it's all volcanic soil and it's very fertile. You don't need fertilizers to grow anything in the country and the yields are much higher. But it's all in very rugged mountain areas, so building the infrastructure to get access to that kind of land is also the challenge that we are facing.

The opportunities for young people are in all these industries that can be set up, but to do that, you need foreign direct investment. The Chinese are starting to increase their involvement in the country, while more and larger mining and oil companies are coming to invest in PNG. In fact, most of our oil and gas is exported to China. We know the resources that China needs and there is a good economic partnership going on. All we need to do now is work together to make sure that we leave the social standing in our communities and make sure that our people have the necessary skills, are educated, and are healthy so that they can be productive citizens.

I think with that, you will have a smaller version of China in the Pacific quite easily because it has got the resources to back it up, and package opportunities and ambitions that it is for the people ahead of us.

David Morris: You mentioned the inspirational model of China and its development over the last 40 years or so, which demonstrates what can be done with strategy and with investment in education, as well as infrastructure and integration into global markets, all which Papua New Guinea needs.

China is obviously a very important economic partner for Papua New Guinea. How do you see cooperation through the Belt and Road Initiative over the long term? What are the real opportunities for both countries in terms of cooperating, building infrastructure, and developing new industries? What do you see as opportunities there?

Peter O'Neill: Papua New Guinea was one of the first countries that signed up to the Belt and Road Initiative. And as part of that program, we have been able to access very concessional financing from China's EXIM bank and other

commercial banks within China, which have invested heavily in the infrastructure in our country. This has enabled us to build universities and hospitals and even schools, from high schools down to the primary level right across the country. We've been able to build ports, airports and roads throughout the country. And it has certainly opened up the country in a very visible manner. I think someone who had visited our country, say 15 years ago, would notice the changes that are taking place.

You can see this happening not only in Papua New Guinea but right across the Pacific. In small island countries, most of the infrastructure, including main roads, stadiums, and hospitals, are built through this Chinese initiative. It has been a great benefit and I think if those initiatives are no longer available to these countries, the countries will fall back, largely because the population is increasing. This is why we have to keep up the investment in these sectors as we go along. This is a great opportunity for both China and PNG as well as other Pacific Island nations.

David Morris: We talked about the diversity of Papua New Guinea. I want to ask you about the Pacific Islands region as a whole, because we have had this discussion in the Pacific for a long time about how the region should develop. How do we work as brothers or as a family in the region, and in particular under the leadership of Dame Meg Taylor, a very distinguished and famous Papua New Guinean? At that time the Pacific Islands Forum leaders went through the process of developing a “Blue Pacific Vision”, positioning the Pacific not as small island states, but actually as large ocean states, because the Pacific region is a major region of the world for resources, fisheries, and energy.

How do you think that's going? As someone who's led the largest Pacific Island country, what are your thoughts about the future of regionalism? And for the Pacific Islands region as a whole? What does it mean for overall development and the economic development of the region?

Peter O'Neill: Our aim in the Pacific has always been to try and keep the Pacific pristine and accessible for everyone rather than trying to narrow it down to a few individuals or a few companies or a few countries. With the agreements that we have signed with the 14 or 15 countries along the Pacific, things have always been cooperative and consistent. As I said earlier, geopolitics is now starting to create a cloud around some of the agreements that we have made. One of them is the recent defense cooperation agreement that Papua New Guinea signed with the United States.

I have been the biggest critic of that because I think it undermines Papua New Guinea's constitution. No country in the world wants the constitution and the laws of their country to be undermined and if you want to change any laws or constitution, you have to go back to the people. Let the people make that decision through their elected representatives. We have been dedicated to a nuclear-free Pacific for many years, but this kind of agreement allows that to be breached. You can have nuclear-powered ships and aircraft that carry nuclear warheads

come to the Pacific quite freely now.

Some of the initiatives that we have taken is to try and keep the Pacific safe and free of any of these confrontations. We have had some very bad experiences before the Second World War, where some smaller countries like the Marshall Islands carried out nuclear testing and destroyed the pristine environment. We don't want similar things happening in our countries, which has been the main driving force behind the general agreement that we all have taken. So, there is a huge concern among communities with some of the recent developments taking place in the Pacific.

The second issue is that it's a big ocean and, officially, it's been unregulated for a while. We've got some of the largest fishery stocks in the world, particularly tuna. Unregulated fishing has caused us a lot of problems and that's coming from some of our friends in Taiwan and Japan and few other places, who are just going in and fishing in some of the economic zones to the east, which has been the cause of some concern.

I think the greater role that some of the larger economies in the region is to regulate this better and help manage it, so we can sustain this is the fisheries for future generation. We shouldn't be depleting them in such a way that the tuna go extinct and no one can have tuna in the future. I think the Pacific is facing a lot of uncertainties as many countries have seen changes in government. This has raised concern among the population because there is a lack of consistency in the policies within the countries. Hopefully, our leaders can take stock of the thoughts and expectations of their people before they make policy changes that are detrimental to our countries and our people.

The Threat of Climate Change to Island Nations

David Morris: You've talked about the very practical question of fisheries, management, and how the sustainability of fisheries is absolutely essential to economies such as Papua New Guinea. I want to ask you about sustainability in general and the climate crisis that we are now facing and is getting worse every year. We seem to be on track not to meet the United Nations goals for 2030 and seem to be heading towards a 3 % rise in global temperature by the end of the century, which could be catastrophic for the Pacific. What has been the position of Papua New Guinea? Is there a consensus in the Pacific around what we need to do as a global community in relation to climate change? What are your personal views on this? How can we grapple with a challenge that belongs to all of us?

Peter O'Neill: Climate change is a very big issue for the Pacific Island countries as rising sea levels can continue to displace communities. Many of the islands are not higher than 1 meter above sea level, so in some places rising sea levels are now going into houses and displacing communities located on very low-lying islands.

First, the movement of those people to safer places is a big issue because

some of the larger countries are not willing to take migrants into their countries. Secondly, I've attended a few COP meetings and quite frankly, I think everybody's talking and making big announcements, but there is no real effort in addressing the climate challenges that we have in the world today.

The most at risk are the poorest and smallest countries, especially low-lying countries. We are encouraged by China's stance on this issue and the commitments that China has made. In fact, over the last few years, I've been coming back to China and I see more electric cars on the road, which is a big effort in itself and China is trying to address these issues for us.

The real meaningful effort that China has put in is commendable. We hope that we can have more cooperation in the region, especially to protect low-lying islands. Papua New Guinea is OK since we have many mountains, so we can all migrate to the mountains, but we are worried about many of our brothers in the Pacific.

Taking China-Brazil Relations to the Next Level

A Dialogue with Marcos Galvão

Henry Huiyao Wang and Marcos Galvão

Trust has been the foundation of the friendship between Brazil and China for over half a century, and is reflected in their bilateral relations as well as their cooperation on multilateral agendas like the BRICS platform. 2023 marks the 10th anniversary of the Belt and Road Initiative. After Luiz Inácio Lula da Silva begins his third presidential term, Brazil and China will enter a new historical stage.

In the following dialogue between Dr. Henry Huiyao Wang and Brazilian Ambassador to China, Marcos Galvão, we gain key insights into bilateral relations between China and Brazil, as well as the latest developments in Brazil domestically.



Henry Huiyao Wang in dialogue with Marcos Galvão at CCG's Beijing office

Marcos Galvão has been Brazil's Ambassador to China since August 2022. Before this current post, he was Head of the Mission of Brazil to the European Union, in Brussels, from February 2019 to July 2022. He served as Ambassador to Japan (2011–2013), Secretary General of Itamaraty (2016–2018) and Ambassador to the World Trade Organization (2013–2018). He has also served, throughout his career, in Washington, DC, Asunción and London. He also held various positions in the Ministry of Foreign Affairs and other organs of the Federal Government in Brasília. At the Rio Branco Institute, where Brazilian diplomats are trained, Ambassador Galvão was Professor of Brazilian Foreign Policy and Diplomatic Language.

Henry Huiyao Wang: I know that you only recently assumed your post in China. What's your impression so far?

Marcos Galvão: Coming to Beijing was an old dream. I've been in the foreign service for over 42 years now. I have served in many places all over the world and also in Brazil, not only in the Foreign Ministry, but also in the Finance Ministry, in the Environment Ministry and in the President's Office. But coming to Beijing was a dream that I've had for a long time, at least for the last ten years when I was ambassador in Japan and finally this dream has come true.

Why was it a dream? Not only because I wanted to be in China, but also because the emergence of China was the most consequential developments in the world. I've been a diplomat for over 40 years, because I believe in our relations and the relevance they can have to our peoples and countries. I wanted to work for those relations and had an aspiration to live up to. Now my dream has come true and I have to render the best service I can to the Brazilian taxpayers and to the Brazilian government.

Henry Huiyao Wang: China and Brazil have such great relations and China is Brazil's largest trading partner, importing a lot of agricultural products from Brazil every year. So tell us a bit about your views on bilateral relations between China and Brazil.

Marcos Galvão: One element of our relations with China over almost half a century is that there has never been a breach of trust. We each have our views of the world. We each have our interests, but we have always respected each other and treated each other considerately. And we have always had trust in each other. This is a fundamental element in human relations in general, in personal friendships and in friendship between countries. There has to be trust. I think trust is an element that has always been there in our relationship.

But more importantly, and I think this has been very clear since the 2008 crisis, which was a changing point in recent world history, that as emerging global economies in the world, we have respectively played a relevant role

in each other's development. Our relations with China, be it in trade, be it in investments, be it on the international scene, have had a permanently positive impact on Brazilian development. We also like to see ourselves as a contributor to the development of China.

Brazil has now begun a new political cycle. President Lula was elected on October 30, 2022 in a second round of elections. He was president twice before from 2003 to 2006, and then from 2007 to 2010. He has become, in a way, the Pele of Brazilian politics and the face of Brazil. It's curious because I've been in China, as you mentioned, for five months. When Pele unfortunately passed away recently, I could see how many people in China knew and liked Pele, but I could also see how many people in China know and like President Lula. The other day, I went to a restaurant and it was playing Brazilian music. I spoke to the owner and he said didn't know the music was Brazilian, but he mentioned President Lula. He was president during a particularly critical period of China and Brazil's relationship—2008 to 2010. This was the period following the great global financial crisis of 2008 in which both of our countries, both China and Brazil, rose to play a much more relevant role on the international scene. This was when the G7 had to step back and the G20 stepped forward, because the G7 countries recognized that without us, the large emerging economies, they wouldn't be able to face the problems they had to face. We made a very important contribution in this respect, including the reform of international financial institutions aimed precisely at strengthening the voice of countries like China and Brazil on the international scene and on decision making regarding financial and other matters.

Henry Huiyao Wang: CCG is a think tank that focuses on globalization, but we know globalization has seen many setbacks, and people are talking about de-globalization as well as populism and nationalism. It's also probably very sad to see what happened recently in Brazil on January 8th with the storming of the parliament, high court and other government houses. So what do you think about that? What has happened in Brazil for that to happen now?

Marcos Galvão: January 8th was a very sad day for Brazil. Basically, we had a mob of radicalized people who stormed the offices of the executive branch, the President's office, the Congress, and the Supreme Court. There was a lot of destruction and vandalism. These were strongly anti-democratic people and extremists that were radicalized, but the ultimate outcome was that these democratic institutions, including those three branches of power, are very strong and resilient and the rule of law did prevail, and will prevail. The people that did this will be punished according to the law, to the extent of the law; not only those who were there actually vandalizing public buildings and stealing things, but also those who helped finance and inspired what happened. All of them will have to pay for what happened. And I think that in the end, both Brazilian society and the international community will see that once again, this was a test for Brazilian democracy. But the all political forces in Brazil have rallied behind democracy and behind the established institutions. I think very quickly it will be made very

clear that these institutions will prevail.

Henry Huiyao Wang: China and Brazil are key members of BRICS and, as you said, the two largest emerging economies in Asia and in the Americas. You were actually involved in the early days when BRICS first started. Tell us a bit about the BRICS phenomenon and your prediction for the future development of BRICS countries and how we can really work together.

Marcos Galvão: BRICS is a very curious phenomenon. You know better than I. This comes from an acronym that was created by an economist and stood for Brazil, Russia, India, and China. South Africa came onboard somewhat later. The four countries, I think, didn't dislike the acronym. The foreign ministers of the BRICS countries began to meet on the side of the UN General Assembly, the first of which was held in 2008. The global financial crisis came on September 15, 2008 and in November in São Paulo in Brazil the finance ministers and central bank governors met for the first time. After that, we worked a lot together to push international financial institution reform. Basically, it was about getting seats in some entities, such as the Financial Stability Forum that became the Financial Stability Board, where no emerging economies had a seat until 2008 and in raising our voice and vote and quotas in organizations, such as the IMF and the World Bank, which we managed to modestly reform.

We had a common agenda that basically aimed at reforming international governance. And this is an agenda that is still there. All of the BRICS members are countries that wish that the world be governed by international law, by rules that are negotiated multilaterally. We want these, but that doesn't mean that we want to keep things as they are. We want the international rule of law to function as the basis for international reform in order to make the world a more fair place for all, and to provide opportunities for all.

One last point is we have to restore, I think, the centrality of the notion of development in the world. People talk about sustainable development and climate change is a challenge that we have to work together on. Development has to be made sustainable, but in order for development to be made sustainable, that there has to be development to begin with. Development was something that people spoke about in the 60s and the 70s, perhaps until the 80s, then this was forgotten. Food insecurity is out there, and it's growing, and poverty is still out there, and it's growing in some places. We have to take care of the more vulnerable in the world, because otherwise the world will never be stable and the world will never be fair. So, we have to bring back this notion of development that is sustainable. I think that China and Brazil, who are, let's say, advanced developing countries, have a role to play in order to strengthen the concept of development within the broader framework of globalization.

Henry Huiyao Wang: What's your prediction for 2023 and for bilateral relations as the new ambassador? What are your hopes for the future development of Brazil-China relations?

Marcos Galvão: There's a new political cycle in Brazil. There is a very important thing happening, which is the opening of China after the pandemic and the continuation of person to person contacts. All this video conferencing that went on for years is fine, but it doesn't replace person to person contacts. I think there will be a flood of foreign delegations coming to Beijing and other parts of China from all walks of life from now on. Certainly there will be many Brazilian delegations, from government and the private sector to business and social and academic delegations. I think the most important elements of our relations with China is that, ultimately, Brazilians know what China is, what it stands for, the importance and centrality of China. But we know very little of each other's daily lives of what we do, of who we are. I think this is the greatest challenge that we have to work on. I think that ultimately we like each other as peoples but I think we will like each other even more when we will see what we can do together.

There are many things. We have a common space program already. We have academic cooperation. But there is a lot more that we can do together. And in order to do that, we have to get together to begin with. I think 2023 will mark the reopening of China after the pandemic and our ability to visit each other's countries. I think that as an ambassador, this will give me more work because many Brazilians will be coming to China, but I'll be very happy to help them go around in China and we will certainly be in contact with your organization to do that.

Henry Huiyao Wang: OK, great. Thank you so much, Ambassador Marcos Galvão, I look forward to the further collaboration with our Brazilian friends.

“Ba Tie”—the Time Tested Ironclad Brotherhood between China and Pakistan

A Dialogue with Moin ul Haque

Henry Huiyao Wang and Moin ul Haque

The turbulent times in which we find the world today require unity and cooperation to weather the many storms of conflict, climate change and uneven recovery in a post-pandemic world. China and Pakistan have always had a unique relationship and for Chinese people, the term “Ba Tie” represents the ironclad brotherhood that the two nations share. This has helped them through a number of difficult times and proves to be a constant reminder of what cooperation can achieve.

In this dialogue between Dr. Henry Huiyao Wang and Pakistani Ambassador to China H. E. Moin ul Haque, we will see how this relationship was formed and maintained, and how it has laid a foundation for development and progress.



Henry Huiyao Wang in dialogue with Moin ul Haque at CCG's Beijing office

Moin ul Haque is a Pakistani diplomat who joined the Foreign Service of Pakistan in 1987. He has served in various high-profile positions, including as Pakistan's first Consul General in Vancouver, Canada, Pakistan's Ambassador to France from July 2016 to July 2020 and Ambassador to China from August 2020 to November 2023. He pays attention to China's development and be committed to promoting friendly relations between Pakistan and China.

A Strong Friendship

Henry Huiyao Wang: China and Pakistan have really enjoyed a good friendship that's been called an "iron brotherhood" —"Ba Tie" —a friendship that is as good as iron, as strong as iron, as solid as iron, so that's really a great compliment. So you've been in China for a year and half now. What is your general impression of China? Particularly China-Pakistan relations?

Moin ul Haque: You're right to mention the expression "Ba Tie" to describe the friendship between China and Pakistan. In my last 18 months in China, wherever I have gone, to different cities to small towns, to villages, when I tell them that I'm from Pakistan, they say "Ba Tie". It's so touching that everybody in China knows about China-Pakistan friendship.

This iron brotherhood, Mr. Wang, is time-tested. It is timeless! This relationship between our two countries is very unique and very special. And it has been nurtured over the years by successive generations of our leadership and our people. No matter which government is in power either in Pakistan or in China, our relationship remains constant. It has not been affected by any upheavals or vicissitudes in international and regional politics or development. That is the strength of our relationship. It has remained rock solid over all those years; a very solid relationship between two governments and between two peoples.

We, last year, celebrated our 70 years of diplomatic relation. In the last seven decades of our journey, we have come a long way in terms of putting a very strong framework and foundation for political and high-level exchanges between our leadership. In recent years we have also realized the importance of a relationship in the areas of trade, in the areas of investment, economic and financial cooperation. The China-Pakistan Economic Corridor is one of the manifestations of that. China has become Pakistan's largest trading partner. And despite the Covid-19 pandemic, our trade volume last year increased by more than 17 percent, which is remarkable. We are now trying to find various ways and means to expand access to each other's market. We have a free trade agreement with China, phase two of which was launched in January 2020. This has also contributed to this growing trade relationship.

Development in Pakistan

Henry Huiyao Wang: I know there has been a recent change in Prime Minister, but as we said at the beginning, historically no matter how many changes there are in the government, the strong ties between the two countries has always been there and been sustained. So we certainly can hope that our strong iron relationship will continue even with the new Prime Minister that is coming up.

Moin ul Haque: Surely, you know Mr. Shehbaz Sharif who was elected as the new Prime Minister of Pakistan last night. When he was making a speech after his election in the National Assembly in the Parliament of Pakistan and talking about foreign policy, the first country that he mentioned was China. He passionately spoke about this relationship for quite a long time because he has been coming to China quite often with his elder brother Mr. Nawaz Sharif, a three-time Prime Minister of Pakistan, and had very close relationship with China’s leadership. Mr. Shehbaz Sharif was the Chief Minister of Punjab at that time and many important projects, including those under China-Pakistan Economic Corridor (CPEC), were executed in Punjab, the largest province of Pakistan. Especially the Orange Metro Train, which was the first mass-transit project in Pakistan and was built by China under the CPEC along with many other energy projects. So he’s very passionate and I’m sure that he is looking forward to visiting China very soon and welcoming President Xi in Pakistan for his next visit.

Henry Huiyao Wang: China and Pakistan have enjoyed such a great relationship and one of the main routes of China’s Belt and Road Initiative is in Pakistan in the form of the CPEC. That is really a very important project. Perhaps you can shed some light on the progress and what has been achieved and how we can cooperate further.

Moin ul Haque: The CPEC, as I mentioned, is a very important project. In fact, it’s one of the most important projects under the BRI. For Pakistan, it has been a transformational project and a game changer. The first phase of CPEC focused on infrastructure development, energy, and the development of Gwadar Port. It helped in improving highways and upgrading our railway lines, which are all part of CPEC. Pakistan had faced for last many years acute shortage of energy, but major CPEC energy projects, be it hydro or thermal, coal or solar, helped to add thousands of megawatts of energy into our system, and helped to address acute energy shortages.

The second phase of CPEC was even more important because it aligns with the socio-economic development agenda of our country and our government. It focuses on industrialization, a very important area because we think that CPEC has to go into the next phase of building a chain of industries in different sectors in the country for which we have established special economic zones. Attractive

incentives are being offered for Chinese investors as well as other foreign investors who would like to take part in CPEC projects like Gwadar Port, which we call the “crown jewel of the CPEC”. Located in the south of Pakistan about 300 kilometers from Karachi, it is a deep-water port that is already functional and facilitating trade. A new international airport is also being built. It was originally just a fishing village and we hope that by following the developmental model of Shenzhen, which some years ago also used to be a fishing village, Gwadar can become a world-class port city. We are now also inviting third-party countries to take part in CPEC projects. We have also discussed with China about extending CPEC projects to neighboring countries, the first being Afghanistan.

Henry Huiyao Wang: That’s actually a very good approach. If Gwadar Port becomes another special economic zone like Shenzhen, that would really drive a lot of progress in the region. I’m also glad to hear that now you’re welcoming third parties to join the CPEC. It reflects the principles of the Belt and Road, which is to consult, construct and benefit together. You mentioned the region and neighboring countries. I know that six countries, including China, Pakistan, Afghanistan and Russia as well as the US had a meeting in Tunxi in Anhui Province. I remember last year, even before the US pulled out of Afghanistan, China and Pakistan had a meeting of foreign ministers in China. So how do you assess the stability and future development of Afghanistan?

Many places in the world are in crisis and I think China and Pakistan can work with other countries to calm things down in Afghanistan. Now if the reconstruction of Afghanistan goes well, it could be a good example for future crises and reconstruction of other troubled areas. So what’s your take on cooperation between China, Pakistan and other countries in rebuilding Afghanistan and how we can ensure a new, prosperous Afghanistan in the future?

Stability in Afghanistan and Regional Development

Moin ul Haque: Afghanistan is a neighbor of both China and Pakistan and the war and instability in Afghanistan over the last two decades has been a great concern of both other countries. I think end of war in Afghanistan, the withdrawal of the US forces and the fall of Kabul in August last year brought a new hope for the region and for the people of Afghanistan. Pakistan and China have been very closely cooperating and coordinating their position to assist the people of Afghanistan as they move forward and establish their own government and in their re-building efforts. We have also coordinated in bringing together the neighboring countries of Afghanistan, to discuss this very important issue among themselves in a way to have a regional approach to this problem, which is common to all of us instead of someone from outside dictating or interfering.

I think this regional approach has worked well so far. We have had three meetings and synergized many of our thoughts and many of our actions. Most importantly, I think, the new Afghan leadership also understands the concerns

of not only the neighboring countries, but also the international community. The most important part of the meeting between the six neighboring countries held in Tunxi recently was to see how we can meet the immediate humanitarian needs of the Afghan people as well as rebuild their infrastructure, education, hospitals, roads, and their financial institutions. We have called on the international community, especially the United States and European countries, to release frozen assets, which are needed by the Afghan people at this very critical stage.

Of course, there is a new government, which has just been there only for seven or eight months. We need to give them time to settle down. We need to strengthen their capacity so that they are able to help their people. In that respect, I think the neighboring countries in the region can play a very important role. As I mentioned, Pakistan and China have helped not only in terms of sending humanitarian aid but also in terms of training Afghan nationals and capacity building. Now with the extension of CPEC into Afghanistan and other projects that China is also assisting in, the people of Afghanistan will be able to stand on their own feet.

Henry Huiyao Wang: Stability in Afghanistan will certainly make our world a little safer. We hope that the Ukraine situation can be brought under control. China probably can also try to work with the international community to mediate the situation. But I think the process in Afghanistan is very important to the world.

Moin ul Haque: I agree with you, because I think the Ukrainian crisis has brought a new dimension to an already tense regional environment that we had due to Afghanistan. Our position on the Ukrainian crisis is very similar to China’s—that we should respect the UN Charter, respect the sovereignty of countries and not interfere in their internal affairs. We are also calling on all the parties concerned to resolve the crisis through dialogue and diplomacy. We in Pakistan know that military action is not a solution. Afghanistan is a case in point. It has suffered for the last four decades because of military conflict. This is a lesson for others to see that military action is not a solution. We need to resolve our differences through dialogue.

Henry Huiyao Wang: What we can do to further enhance and promote bilateral relations? They’re already good, but how can we make China-Pakistan relations even better?

Moin ul Haque: The level of our relationship at this moment is excellent and I would say it’s the best time between our two countries. This was very much manifested by last year’s celebration of 70 years of diplomatic ties with more than 140 events that were organized to celebrate this milestone, which was unprecedented and saw a high level of participation by the leaders of both Pakistan and China. This was not only reflection of what we achieved in the past 70 years, it was also very important to chart a new roadmap for the next 70 years.

What is also very important, is that new generations now know about the importance of this relationship. The investments that have been made in the past by our elders and our leadership should not go to waste and we should build on that. As I mentioned earlier, the most important areas for us to move forward are trade, investment, agriculture and tourism. Tourism is a very important area. I'm very passionate about that. Both our countries are beautiful countries that are rich in history and heritage. We need to work more to have more exchanges of people, including tourists, scholars and artists between our countries so we can make this relationship even stronger. COVID has of course impacted physical exchanges, but it will soon go away. We are working on that. Just to give you an example, we have prepared a website on tourism in Chinese that will be formally launched soon. We are now working with Chinese tour operators and tour agencies to see how we can bring Chinese tourists to Pakistan and Pakistanis to China as soon as COVID is over. I think it will be a good means to promote our friendship.

Henry Huiyao Wang: Thank you very much for coming today and I really appreciate your insights.

Africa and China: Natural Partners Choosing⁴⁵¹ Their Own Development Pathways

A Dialogue with Teshome Toga Chanaka

Henry Huiyao Wang and Teshome Toga Chanaka

China and Africa are natural partners. African cooperation with China has played a unique role in promoting much needed basic infrastructure in Ethiopia, driving forward sound industrialization and pulling millions out of poverty. The beauty of the partnership between China and Africa is that it allows both sides to choose the development pathway that suits each side best, while conspiracies like the “debt trap” are groundless and unhelpful for Ethiopia and Africa in general.

In the dialogue between Dr. Henry Huiyao Wang and Ambassador of Ethiopia to China, H.E. Teshome Toga Chanaka, highlight real experiences and the successes of cooperation between Africa and China as well as China-Ethiopian relations and recent developments in Ethiopia.



Henry Huiyao Wang in dialogue with Teshome Toga Chanaka at CCG's Beijing office

Teshome Toga Chanaka was ambassador to China from 2019 to 2022. He has extensive experience in diplomacy both at bilateral and multilateral levels. He has represented Ethiopia as Ambassador in 17 countries and three continents, including Ghana, Egypt, Kenya, France, Belgium and China. As Ambassador, he was also accredited to EU institutions in Brussels and acted as the Permanent Representative of Ethiopia to UNESCO as well as to UNEP and UN-Habitat. During his long professional career, he has occupied senior leadership positions within Ethiopia's government, including Minister of Public Enterprises and Minister of Youth, Sports and Culture.

China-Africa Cooperation

Henry Huiyao Wang: As we all know, China and Africa are really strong partners and we just had a very successful Forum on China-Africa Cooperation. Ethiopia is one of China's largest trading partners in Africa, so what's your impression in general about your experience in China and your overview of China-African and China-Ethiopian cooperation?

Teshome Toga Chanaka: I have been in Beijing for the last three years and I have been asked about my impression of this country many times. I think there are areas of civilization, culture, history and diversities, but the most singular impression I carry with me always about China is its transformation in the last 45 years, which is a unique phenomenon in the history of human development. But Africa also has more to offer, because the continent has huge untapped natural resources. Apart from the scale of our population, we actually have the youngest population in the world. So I say that it is quite natural for China and Africa to partner, to cooperate, and to work with. No serious country can avoid China, and no serious country can avoid the continent of Africa. China has taken on a major infrastructure project in Ethiopia, which, because of the way we define it, has actually been contributing not only to creating infrastructure, but also to alleviating poverty. Then of course we have investment from China, we have trade with China, we have technology transfers, we have financing cooperation with China. So this is a partnership benefiting both sides.

When Chinese companies invest in Ethiopia and in Africa, the first thing they do is they create jobs for our young people. They boost our capacity and productivity. They increase our exports, which means earning foreign currency that we need. It's also about technology transfer and building capacity. If you look at Ethiopia, cooperation with China is not only limited to industrialization, to trade; we also cooperate in the digital economy and technology transfers. Ethiopia's first satellite was launched with the support of the Chinese government. I think the beauty of our partnership is that this is a partnership based on what we truly call on equality, on mutual respect and allowing countries to choose policies and strategies that suit their own situation. Outside Africa and

outside China many perceive this as a partnership benefiting China. This is not correct because I always argue that a partnership that does not benefit both will not last long.

Henry Huiyao Wang: Africa is a fascinating place, absolutely, I remember when I was a child my father went to Africa and worked on the Tanzania-Zambia railway. That was in the 1970s. I remember he came back from Africa and told me how vast, how rich and abundant in natural resources and how big the continent is. What do you think about the cooperation under the Belt and Road? How we can really work together to strengthen such cooperation?

Teshome Toga Chanaka: We have defined the Addis Ababa–Djibouti railway, which is part of the Belt and Road Initiative, as our number one priority. Why? Because 90 percent of Ethiopian imports and exports go through Djibouti, so you can see how critical that project is. China financed the project and they also helped us in the construction of the railway. At the same time they are managing and training Ethiopians to actually take over the management of the railway. This is a two-nations-owned infrastructure project that benefits Djibouti and Ethiopia as well as China and Chinese companies.

Secondly let me also take another important Belt and Road project—industrial parks. These are the basis for industrialization and have made us competitive in terms of attracting investment because they serve as one center with all infrastructure necessary in one place. You can see how this makes Ethiopia competitive and attractive for foreign direct investment. Now, we know how much the digital economy is contributing to the Chinese economy and we are just starting. Very few African countries have actually been integrated into the digital economy and it's at a very young stage, but we have a Chinese company that is willing to work with us in this regard, so this is a win-win situation for both the Chinese enterprise and African countries like Rwanda. Countries like Ethiopia, and I think a few other countries like Tanzania, are gradually joining the digital economy. Recently, I promoted an Ethiopian coffee trading brand in Shanghai online and in five seconds we sold 11,000 bags of Ethiopian coffee. In five seconds—I mean this was totally unthinkable in the past. So we can see the miracle of e-commerce and the digital economy. We understand the importance and significance of this infrastructure. The opportunity is there and we have challenges here and there, but again my thinking is that you have challenges and in every partnership the best way is to continue and to do more cooperation, not less.

Henry Huiyao Wang: You have many good stories about the private sector. I've heard of a company called Hua Jian and I believe you know its president, Mr. Zhang Huarong. He actually invested in multiple industrial parks in Africa and is one of the biggest shoe manufacturers there, which helps Ethiopian exports. There are several private sector companies working in Ethiopia in textiles, shoes and pharmaceuticals. Job creation is a huge contribution, and one company has

given 8,000 Ethiopians jobs. But it's not only about creating jobs. If you take an average family in Ethiopia with five members, that's about 40,000 people being supported in one single project. We need to bring in the private sector when it comes to investment and the digital economy. We look forward to really enhanced, strengthened and revitalized work with the Chinese public and private sectors.

Teshome Toga Chanaka: I see a lot of similarity between Africa and China, so I think China's experience and China's path of development can be transferred to Africa to some extent. But of course you know there's some criticism on that. Some say China is creating a "debt trap" there, which I think it's not true. A loan is not something that is imposed on any country. Let me say that very clearly. I can talk for my own country. Loans and debt have not been imposed on us, but there is a structural problem when debt is accumulated. We come and ask for loans ourselves. We borrowed \$4 billion for the railway project between Djibouti and Ethiopia and we needed it. We asked China for the loan, because no other country was willing to finance that project. I think this is the case with most of the countries that borrow money and of course the problem is the "debt trap" concept. I don't know why when it comes to loans from China that it becomes a "debt trap", but not when it comes from other sources.

The problem is that because of capacity, technological and management problems, most infrastructure projects are not completed on time and then the debt matures. In order to pay off the debt you get another loan and the result is what we call debt accumulation. I think the best way again is to sit down and address the critical structural bottleneck that is facing debtor countries. That is exactly what we are trying to do, but to create the perception that getting a loan from China puts African countries into a "debt trap" and African countries should not borrow money from China is not a fair approach. It's not helpful for Africa. I think the best way for China and Africa think of a way forward is to recognize that we are already in it. We need to sit down and discuss and find a solution.

Instability in Ethiopia

Henry Huiyao Wang: I understand that in Ethiopia there are some civil conflicts in the northern parts of the country. This is probably is of concern for Ethiopia and the people there. Perhaps you could give a bit of explanation of what's going on there?

Teshome Toga Chanaka: The conflict actually started in the northern part of Ethiopia and of course there is political background to it. There were political differences between the party that is ruling the northern part of Ethiopia and the region with the federal government, and we opted for dialogue to resolve political problems and find a political solution. Unfortunately, the forces in the northern part of Ethiopia opted to use military means and they attacked one of

our command forces, so we introduced law enforcement operations in that part of the country. We actually succeeded in that, but when we moved our military out of that region, they regrouped themselves and they came, attacked and extended the war to two other regions, but now they have been pushed back to that region again.

We have a number of issues actually. One is that the government of Ethiopia once again declared a humanitarian truce so that humanitarian assistance can go to the needy in the northern part of country unfettered and unimpeded. Currently there is no ongoing conflict, but forces there are two armed groups that are trying to undermine the ongoing process, despite trying our best as a government to ensure that the national dialogue can succeed. Any issue under the sun can be brought to the table to discuss, then we have to set a priority whether it's a change of constitution or a change of governance. Everything should be done through dialogue. We have an ongoing AU effort to which Ethiopia has given its support. That's where we are in terms of the political process in the country.

Of course the economy has been hit hard by both the pandemic as well as the conflict in the northern part of the country. Yes, we currently have a challenge, but we hope that we will overcome it soon. We need wisdom and a unity of purpose. We really need to join hands with the leadership of Prime Minister Abiy Ahmed so that we can enhance the efforts that we have already launched. In particular, we need to make sure that we are positively contributing and getting involved in the national dialogue process. If we have limitations here and there, we should try to make our own contribution in a very constructive way, in a very forward looking way and we should not get stuck in our past.

Henry Huiyao Wang: I think we need to move forward and that's what we are trying to do. We really hope that there will be more dialogue and more consensus as we try to minimize the conflict as much as possible. We can really see peaceful development and continued prosperous development for Ethiopia. I think we've all come to the conclusion that there will be enormous opportunities, potential and cooperation between China and African countries like Ethiopia. Let me once again thank you, Ambassador for your insights. And thank you for coming to CCG. We hope to see you again.

Teshome Toga Chanaka: Thank you for having me.

Newly Emerging Regional Forces

As developing economies and smaller nations search for greater agency and room in the international economic and geopolitical environment, regional organizations and agreements have started to gain ground.

BRICS is a prime example of how successful developing nations have combined their resources and influence to advance agendas that are unique to their current development needs. Despite their geographic, cultural and systemic differences, member countries have similar development histories and development goals that have enabled them to find common ground.

Another rising regional force is the Belt and Road Initiative implemented by China, which nominally covers economies that line either traditional land-based Silk Road or the maritime Silk Road, but also links and welcomes membership of economies further afield, including those in Europe and North and South America.

These regional organizations, as well as others like ASEAN and the Shanghai Cooperation Organization, ensure that emerging economies are able proactively drive agendas that are based in their own development strategies, independent of the dominance of existing structures established by developed economies. It is these new, innovative and diversified organizations that will be the source of innovative and constructive ideas for the future of global development.

20 Years On: the Future of the BRICS and Globalization

A Dialogue with Jim O'Neill and Leslie W. Maasdorp

Henry Huiyao Wang, Jim O'Neill, and Leslie W. Maasdorp

As globalization enters a new phase of development, regional trade relations and agreements have become more prominent, especially among Global South countries. BRICS is the most outstanding example of this trend and has resulted in a number of economic, trade and financial transformations in a world increasingly influenced by emerging economies that, as a group, are given the developed world a run for its money.

In this dialogue, CCG President Dr. Henry Huiyao Wang, Lord Jim O'Neill and Leslie W. Maasdorp cover topics related to the development of BRICS and the New Development Bank, regionalization and globalization, and global governance issues including health policy.



Henry Huiyao Wang in dialogue with Jim O'Neill



Henry Huiyao Wang in dialogue with Leslie W. Maasdorp

Lord Jim O'Neill is a renowned economist and the creator of the BRIC acronym, which later became BRICS, standing for Brazil, Russia, India, China and South Africa. Jim O'Neill is also former chairman of the Royal Institute of International Affairs in London (Chatham House) and he was also previously the Commercial Secretary to Her Majesty's Treasury of the UK under former Prime Minister David Cameron. For many years, he was also the Chief Economist at Goldman Sachs. Recently, he became a member of the Pan-European Commission on Health and Sustainable Development. He is also the Honorary Chair of Economics at Manchester University.

Mr. Leslie Maasdorp is leading the New Development Bank as its Vice President and CFO. He held several important positions both in the government of South Africa and also in the private sector, including as Managing Director and President of the Bank of America Merrill Lynch in South Africa. In 2002, he was the first African to be appointed as International Advisor to Goldman Sachs International, where he and Lord O'Neill worked together.

The Evolution of the BRICS Concept

Henry Huiyao Wang: This is a very fascinating time. This year marks the 20th anniversary of the BRIC concept coined by Jim O'Neill and BRICS has evolved into a global player. It's also the 15-year anniversary of the BRICS Corporation. The concept of BRICS has been widely accepted and is recognized around the world. Jim, I know you published an article about BRICS in the Financial Times two days ago, so maybe you can say something to our audience about the birth of BRICS and your vision at that time. Now I understand you want to expand BRICS role in the IMF and the World Bank and even the G7. What's your

assessment of that?

Jim O'Neill: As you mentioned I had an article published in the Financial Times two days ago and because it is the 20th anniversary, a number of global media organizations are actually covering their own interpretation of the anniversary throughout the week. I heard this morning that the very well-regarded magazine Nature actually published a feature on the topic, which did include an interview with me, too. Bloomberg Television and their journalists have also been running a number of different pieces. I'll just try to select three opening comments, some of which I'm sure we will pursue in further parts of our discussion.

It's important, as each of you know, when you write an article for a newspaper, you never have any control over the title or headline. You only have control over the content. The FT chose to have a headline that the BRICS have been a disappointment, which I think is has some truth on some levels, particularly for the policy coordination level, but of course, by definition, for any group that involves China over the past 20 years—a lot that is, that's obviously very far from the truth. Because when I reflect on the economic developments of 20 years ago and compare it to what our famous projections showed, China has surpassed any of the scenarios that I and my team came up with in the early days of the BRICS idea.

One of the most remarkable things about the economic history of my lifetime and before is the performance of China the past 30 years, 20 years of which has been as one of the BRICS. It's also true that by and large India has essentially achieved the broad growth path that we outlined and that's why today China and India are so much bigger parts of the world economy than they were 20 years ago. It is the case, unfortunately that the other two in the original acronym of mine, Brazil and Russia, after having a very good first decade where they also surpassed all expectations of ours, have actually had an equally very poor second decade and ironically each of those countries' share of global GDP is almost back to where it was 20 years ago. And in that sense the objective reality is that when it comes to their economic performance they've been a disappointment and I would add, unfortunately, the same is of course, true for South Africa also. And whilst there are so many differences between them, I think at the core dilemma which relates to policy issues, each of those three show signs of the much discussed commodities curse, which can often be a problem for many emerging economies that are trying to break through the middle income trap and this is a challenge that each of those three countries faces in the future, even though there are many differences between them.

Second thing to say is that my whole point of creating the acronym deliberately is a play on the English word "bricks" as in "building bricks" is that it seemed already 20 years ago that global governance wasn't adequately represented by big emerging economies and that was the basis of my paper. Especially coming two years after the creation of the Euro and the introduction of a single currency for every big continental European country, it seemed to me very clear that there was no great case for single representation of Italy,

Germany and France in global economic governance and so the G7 could be both consolidated and expanded to include important emerging economies. Whilst that never happened, of course, seven years later in 2008, prompted by the global financial crisis, we had the advent of the G20, which at its core, was meant to bring these big emerging economies into the center of global economic governance. If we would have had this discussion in 2008 or even 2010, I would have been very excited about what this meant for more representative and more equitable global governance.

We also had the introduction of the Financial Stability Forum which became the Financial Stability Board. And in 2010 we had the first significant reform of the voting shares and structure of the IMF and the World Bank and with it the change in the basket of the SDR to include the Chinese RMB. Unfortunately, in the decades since and especially during this crisis, there have not been any further significant improvements in global governance at all. The contrast between the G20 meeting of 2020 and 2021 and those of 2008 through 2010, in my opinion, is very disappointing and something that needs to be urgently changed for the future of all seven trillion people around the world.

The third thing is about the BRICS political group itself. I've talked to Leslie about this quite often and there are very important positive developments that have taken place with a whole series of ongoing discussions between BRICS ministers. By definition that is a great development, as of course, was the introduction of the New Development Bank that Leslie represents. But it is the case, in my opinion that the actual cooperation between the BRICS political leaders on an economic basis has not really demonstrated any evidence that has materially helped any of their economies. And I finish for now, with the rather sober reflection that if you look at the collective economic performance before and since the BRICS political group was established, it has weakened. Now that may have nothing to do with the introduction of the BRICS political group, but it certainly raises the possibility that so far they haven't doing anything to ensure stronger economic performance between them.

Henry Huiyao Wang: As the creator of the BRICS concept, which led to the BRICS countries forming groups and summits, you are a visionary and a champion for BRICS countries. Actually BRICS countries, particularly China, are doing still relatively well, but maybe just to follow up on your opening remark, you envisioned more BRICS countries participating in the global governance system and said that we shouldn't let Western countries dominate the system. You recommended that at BRICS countries should have a greater role in international mechanisms like the IMF and World Bank. And of course we see some ideological and political divide on the G20, but you mentioned about how the G7 can be expanded to a G10, possibly including a few BRICS countries. Those are really very good ideas. How do you view BRICS countries in the global governance system? We really should work together in terms of multilateralism and not too long ago there was a global BRICS Summit where President Xi spoke about how we can continue to support multilateralism. How

do you view the role of BRICS countries in the future of global governance? Do you have any new ideas or recommendations?

Jim O'Neill: I'll give three very quick responses. The first one is, I can't resist repeating a joke that I've said for much of the past 15 years and discussed with Leslie and his colleagues at the New Development Bank. Given how the political group and the New Development Bank came about because of my acronym, I'm still waiting to be made Honorary President of the New Development Bank. The second thing to say, slightly more seriously, is that it is remarkable when I look back 20 years ago and think about what was in my head and what I thought would be much more optimal for the world, how many of those thoughts are still in my head now even though the world is changed so much. With the existence of the Euro and a shared monetary and fiscal policy in Germany, France and Italy, I don't really understand the logic of why each of them – all of which have very poor domestic economic growth performance—warrants a seat at some kind of global table of economic policy affairs. It is completely lacking in any rationale other than economic history and perhaps of course, the fact they all come from the same continent and have the same shared democratic values.

And then regarding the second part of my answer, I often think this is perhaps why we have some of the difficulties in the world, because, as great as the G20 development was, as anybody that participates in these G20 meetings will always say to me—it's too many countries and too many people to be an especially useful framework for making tough decisions. I'm a big believer in deliberately recognizing the difference between compromise and conciliation. And the more people that are in a decision-making group, by definition, the more people default to compromise—usually the weakest compromise—instead of deliberately trying to conciliate. I think a reformed smaller group inside the G20, which would still be along the lines of what I said 20 years ago, would make a huge amount of sense.

The last part of my answer is that I think it would help if the BRICS leaders themselves more frequently had a stronger shared collective priority on some key issues. There have been occasions where there was a small window for important global leadership positions such as the IMF or the World Bank to come from a big emerging country. I'm thinking of particularly about 5–6 years ago, when the positions were up and there did seem to be a chance that we could break the mode of one coming from Europe and one coming from the US, but one of the reasons why that never happened is because the BRICS countries themselves weren't strong enough to agree on who that should be. Also, because you touched it on your intro, in the past two months, some of the BRICS countries have been very opposed to the idea of the introduction of a global health board under the G20, despite it clearly being in their own interests and I think it partly reflects the difficulties the BRICS leaders have themselves on coming to a common position, not just for themselves, but to contribute to the greater interest for the world.

Henry Huiyao Wang: Thank you Jim for those very stimulating ideas you

proposed in the past and have continued to do so in that way. I agree that maybe the number of countries in the G20 is a bit too large, and I've noticed that the Chairman of the Council on Foreign Relations, Richard Haass, actually proposed a G6, including the EU, US, China, India and Japan.

Jim O'Neill: That idea would be very similar to the one that I suggested and still believe.

BRICS and the New Development Bank

Henry Huiyao Wang: Yes, so, your idea is actually to bring China, India and other emerging markets a bit more into this global governance system. If all global governance systems, including health, is dominated by Western countries, we run the risk of things getting politicized, which could make BRICS countries reluctant to play a part. I think we need to gradually create a climate to improve that.

Leslie, you are the BRICS man and you are the man running the bank. What do you think about setting up this New Development Bank as one of the achievements of BRICS countries? I understand the NDB is headquartered in Shanghai and you are moving in soon to the new office. Also, during last several years, the New Development Bank has already lent around 24 billion dollars. Can give us some perspective on BRICS and the New Development Bank?

Leslie W. Maasdorp: The first point I'd like to make, and I want to frame this around maybe three propositions. The first point is that I think it is early days to assess the historical significance of BRICS. It is 20 years since Jim wrote the paper in November 2001. But it is only 12 years since the five BRICS leaders and the BRICS as we know it today, came together in 2009. And it's actually only six years since the New Development Bank was created.

I think it's important to look at it through that historical lens, these 20 years is more of the concept that Jim conceptualized that has been in vogue. The institutional formation is much younger, so we are very much in the early stages of its evolution. My proposition is that what BRICS have done is to create a platform for what later on could be the embryo of a platform for more emerging markets within these global governance structures. The G20 was only formed 22 years ago, but within the G20, these countries already have an informal network amongst the large emerging markets like Indonesia, Mexico and others, who were also part of that dialogue. They were at the forefront of articulating reform from within the World Bank and the IMF, which led to what is known as the Voice Reform of 2009–10, as Jim mentioned. So the BRICS countries have played a much bigger role recently to help engineer reforms to make the global governance system more credible and more legitimate, but today we still have a mismatch between the economic power of the large emerging markets and their political weight as represented within the official structures. The G7 is obviously

being overtaken by the G20 and it has definitely democratized decision making in many respects.

But let me make my second proposition. Maybe there was a reason why Jim didn't cover this in his article—I'm sure it's just because of the length. There are some significant achievements of the New Development Bank and the institutions that BRICS have created. The first one is that many people don't know that there's another institution that BRICS created while it was still a virtual institution—this was called the Contingent Reserve Arrangement. This is a pooling of foreign exchange reserves of \$100 billion—\$41 billion from China, \$18 billion from India, \$18 billion from Russia (and Brazil), and \$5 billion from South Africa. Should any of our five countries have balance of payments pressures, this is an additional facility to assist with that. Traditionally you go to the IMF if you have balance of payment liquidity challenges, but now this is in place. The treaty was already signed in 2014, but not many people know about it because it is a virtual fund and will play a very important role in the event of a global liquidity crisis.

The second key and most significant achievement of BRICS has been the creation of the New Development Bank. This is an institution which has \$50 Billion of subscribed capital and has, as of last week, approved \$31 billion in loans for sustainable infrastructure. The fact that the bank has never financed a coal-fired power station is sort of symbolic. It has a completely green and sustainable persona, which I think is also very important in this age of climate change. Another point I'd like to make is that New Development Bank is also at its early stages, but will morph and mutate into a bank focused more on emerging markets. A month ago, we admitted the United Arab Emirates, Bangladesh as well as Uruguay, and we are at the cusp of introducing significant, new emerging markets in the months and years to come. Even though the concept was born in 2001 and we were still a baby by 2015 when the institution was created, one only has to look through longer historical lenses to assess what potential impact this acronym, which Jim created, will have on the world.

Henry Huiyao Wang: I think we should be patient. The BRICS countries have set up the New Development Bank, which is a great achievement and have done so much for sustainable development. They've also set up a big facility in case it's needed. But of course, we will have more to come in the future. I'm glad to hear other emerging countries are joining the New Development Bank. I'm sure Jim has high expectations as a creator, but you must be very pleased to see the bank has done very well.

Lessons from Covid and the Contributions of BRICS Countries

Henry Huiyao Wang: Recently we published a book called *Consensus or Conflict?*, to which Jim has actually contributed a paper, called "What is the Right Way to Structure Global Health: the Case for Radical New Organizations

and Thinking”. Thank you, Jim, for contributing your paper to this book that myself and Alistair Michie co-edited. It was published internationally by Spring Nature and has been downloaded around 200,000 times already. In your article, you wrote about your experience in leading a group called “The Global Review on Antimicrobial Resistance”, which investigated the lack of development of new useful antimicrobials and the excessive use of antibiotics, as well as the risk and enormous economic cost to global health, which we saw with Covid. So maybe it’s just in time we talk about your idea for an International Global Health System, especially with the recent outbreak of the Omicron variant of Covid virus following Delta. Can you elaborate on your concept for reorganizing global health governance?

Jim O’Neill: I’ve become very passionate about. To make it easier to talk about antimicrobial resistance, which is quite a mouthful even for those of us whose natural speaking language is English and is often abbreviated as AMR. I also often say that it’s probably intellectually the most interesting thing I’ve ever done in my life. I’ve had a very fortunate professional career, but leading a global independent review into the challenge of AMR was fascinating for many reasons. At the core, because of its global importance, it’s often known particularly in contrast to Covid or because of Covid, because it is the silent pandemic that is killing as many.

My review became quite famous in the world of global health for saying that if we don’t do something about the problem of antimicrobials, particularly resistance to antibiotics, by about 2050 we can have 10 million people a year dying because antibiotics won’t work anymore, which would result in a colossal loss of economic activity. Many of the health specialists that looked at our numbers and said five years ago that maybe they were exaggerated, now realize that if you don’t deal with global health threats, they can be worse than global financial threats. The last time I looked, the loss of economic activity during Covid in the past two years around the world has been three times worse than that in the financial crisis. And this came from a global health crisis, which takes me to the second core point of the chapter I had the privilege of writing for your book—by the way, congratulations to you and Alistair on such powerful sale so far. I hope it will grow 10 times or even 100 times given the importance of the issues.

The central idea is we need to stop treating health as something in the corner that we only have a focus on when the problem is right in the middle of our face. Just as the Financial Stability Board (FSB) was created to try and anticipate that the global financial system will always have enough capital, and it will be ready for the next global financial crisis, we need to do the same thing with health. The central proposition is to have a global health and finance board under the G20, which would be represented by both finance ministers and health ministers so that we can have a truly effective global surveillance system for health and adequate financing of the WHO instead of this slightly bizarre voluntary system.

Every week of our lives we are dealing with new variants of Covid. Leslie’s

country, South Africa, is suffering because of the very rapid decision to impose travel constraints. If we had a proper global health and finance board, we would be prepared to think in advance together about how these things should be dealt with before they happen. While it would not stop global health problems, it would keep them from having the economic and financial damage that we're still living through nearly two years after the onset of Covid. I've become very passionate about that. Together with some of the people, led by Mario Monti on the commission that I was part of, we are still trying to lobby very extensively for the initiatives introduced to have a task force to look at this with the G20 under Italy's presidency and for this to become a central part of future global policy-making.

Henry Huiyao Wang: It's a really important task that you champion and it's contributed so much to today's international global health system. In the book we just mentioned, *Consensus or Conflict?*, you stated that the matching WHO's role and responsibility with the global reality is very important. It is very true that lessons learned from Covid are desperately needed to reform the global health governance system. On Wednesday this week, members of WHO agreed to set up an intergovernmental body to negotiate a draft for a global pandemic treaty. Do you see this as a good sign? In terms of global health system reform and global governance, do you see countries including BRICS countries, EU and America working together rather than focusing on politicized issues like the origin of the virus, which has really soured the mood to collaborate. How we can better collaborate on those issues?

Jim O'Neill: I think there are some easy wins that can be made. I'm very grateful that you've given me an opportunity to talk about this, particularly with the audience in China. Because China is in a position to take great leadership on this topic, given the importance of the topic itself, but it's also at the core of the BRICS countries.

But I'd say three very easy things need to happen. There's already been a task force now established following the G20 meeting and I know that the WHO is in the center of trying to see how to implement two parallel things. Firstly, how to practically implement a global health and finance board; and secondly, how we can ensure representative financing of something like global vaccine distribution, or money for new antibiotics, or many other things. But crucially, the financing of the WHO itself, when we stand back from what's going on and look at it from 40,000 feet. The WHO should be financed in the same sort of way that the IMF is, as a voluntary thing, which allows for example the brilliant contributions of the Gates Foundation to be a crucial contributor to such a centrally important organization for the world. And hopefully we can get some agreements on these simple things under the Indonesian presidency.

The final thing I would like to say, I'll describe very simply, but will emerge over time, is involving the private sector, especially in the West. We need to rediscover what is described as "profit with purpose". In the world of high

finance for much of my professional life, a lot of international business appears to be profit for the purpose of profit, which is great; making a lot of money is great, because that's what generates wealth. But we have to make sure that societal challenges can't just be regarded as the responsibility of other people and have that at the center, allowing and supporting our policy-makers to think more inclusively of what economists describe as externalities, and internalizing them to be part of regular thinking. That goes back to why a global health and finance board is so powerfully needed, which by the way is not that different than what we need to tackle climate change.

Henry Huiyao Wang: I think you're right on climate change—China and the US actually just issued a joint statement, which shows that these two big countries can collaborate and we can take some leads from that.

Jim O'Neill: One important point I want to mention very quickly is something I discussed with an astute Chinese observer recently. When I was bemoaning the fact that I didn't think China was enthusiastic yet for this idea as I hoped, this person pointed out that so far in the brief history of the Financial Stability Board, every leader—the four leaders of the FSB of all come from G7 countries. And therefore, going back to our earlier points, if you really want to create a new body that is a very sensible thing from the perspective of Western countries would be to consciously, deliberately encourage a leadership position in terms of a president or chair from an important emerging country.

Future Plans: Health, Infrastructure and Finance

Henry Huiyao Wang: I think this is again visionary. As a matter of fact, China has been doing quite a lot since the outbreak of the pandemic. President Xi pledged \$2 billion to developing countries. President Biden also pledged \$2 billion at the G7 summit and President Xi pledged again another \$2 billion. So I'm glad to see that kind of healthy competition, but also China has donated almost 2 billion vaccine doses, and just this week President Xi announced at FOCAC that China will donate another billion and there will be joint production of another billion vaccines to African countries.

You're absolutely right that the financial board is not really letting China play an active role there and it's not fair. That's a problem and one of the reasons why when there are discussions in international mechanisms, China is always on the side and not playing an active role, but China actually does a lot already. We should work on promoting healthy cooperation.

This week, the EU President announced that Europe is providing 35 billion euros on the EU gateway for infrastructure. And of course, President Biden passed a law for a \$1.2 trillion infrastructure bill and G7 also proposed the Build Back Better World—B3W program. This is also the eighth year of China's BRI. Infrastructure is really that I can see as the largest common denominator

and attraction for the world. For the next seven decades we will probably still be working in many developing countries and maybe another Marshall Plan or a global stimulus plan for the world to work together rather than getting into geopolitical fights and arguments. As a banker, what's your assessment of the infrastructure opportunities in developing countries like BRICS countries as well as for the US, EU and other Western countries?

Leslie W. Maasdorp: Firstly, the recent pronouncements in the lead-up to COP 26 is a clear indication and because of all the announcements you've just made reference to, there's going to be a renaissance for development banks, because of the significant new focus on sustainable infrastructure. There is so much new financing that will be needed to replenish existing infrastructure and to build new infrastructure that is resilient and sustainable. I think one of the first key points to make in this regard, and Jim already touched on it, is that traditionally people have always looked at infrastructure as hard economic infrastructure in terms of ports, airports, high-speed rail and so on—power infrastructure, but social infrastructure is also now becoming very critical. Jim just mentioned the commission that he was part of, which looks at health and sustainable development in the EU. Within multilateral banks, we are also now placing huge emphasis on that component.

Coming back to to infrastructure, I think one of the most significant developments here in China is the increasing focus now on greening the Belt and Road. In fact, many people hope that the words “Green Belt and Road” will be used, which would send a very powerful signal about what China has already done to a degree in light of the announcement that it will no longer finance coal-fired power outside of China. The announcement was made in the build-up to COP26, so infrastructure can play a very critical role going forward to greater sustainable development. One other point I wanted to make, which is also very critical, is that the institutions we have right now are not necessarily fit for the new realities that we are confronted with. Jim made reference to externalities such as the pandemic we just lived through and climate change as well as a whole range of other issues that are transnational, which our institutions are not necessarily suited to deal with. This might be a moment to go back to ask the questions of whether we, in fact, have the right institutions in place and whether we should reform and innovate, in order to make sure we can tackle the new challenges that we are confronted with.

The last point I want to make is that the biggest game-changing potential for infrastructure is mobilizing capital from the private sector. As you know, the public sector is very constrained fiscally, and multilateral banks have capital adequacy limitations. The biggest pools of capital out there in institutional in terms are the pools of savings in private hands. We need to find a way to de-risk infrastructure in such a way that we can make it attractive for these institutional investors to invest in sustainable infrastructure. A lot of that is being done at the moment and I think we're going to see a significant movement toward crowding in private capital in the next 5 to 10 years.

Henry Huiyao Wang: There's a lot of important social infrastructure—the health system and financial system to name a couple. I think we're under a consensus now that the world needs infrastructure including hard infrastructure, in the US, EU and China. China is probably doing the best now with the total length of high-speed rail lines in China equal to the next ten countries combined, while the US military budget is equal to the next ten countries combined. We should spend more on infrastructure worldwide, which is why I think that Jim is really visionary when he talks about how we can reform the IMF and World Bank and increase the participation of emerging countries, which I think is really a very wise suggestion. Apart from World Bank, now we also have other development banks like AIIB and NDB, but would it be possible to have some kind of International Bank Board or some kind of consortium or alliance? Could we combine B3W and BRI, or maybe upgrade the AIIB to a GIIB, a Global Infrastructure Bank. How can we make this global initiative on infrastructure a reality? If this is the consensus of every major country, maybe this is the time; why can't we work on this together? The WTO is actually bringing us together because of the virus, but while it seems like every country has a consensus on infrastructure, how can we tackle that?

Jim O'Neill: I love the spirit of how your mind approaches this question. It's very consistent with the spirit of how my own mind is, especially since I led the AMR review. We need to have people open their minds to think a bit more laterally, instead of in such a narrow conventional way, because otherwise as the past 20 years or longer has shown, we cannot deal with the challenges that the world is faced with.

There are three specific quick things in this regard that I'd like to talk about. First of all, I can't miss the opportunity in the spirit of Leslie's comments about social infrastructure spending to link it to global health. One thing that all five BRICS countries share very clearly is a significant challenge with drug resistant TB. I have said for many, many years, an obvious simple clear area of genuine fruitful policy cooperation for the BRICS countries is to try and finance new effective vaccines or drugs to deal with TB, because otherwise the BRICS countries will not reach their full potential. But that's just one simple example. Secondly, in the broader spirit, arguably as both of you would know, the World Bank's investing in the International Finance Corporation (IFC) could be the basis for a more ambitious global entity. But the IFC and others need to think more in the sense of a truly global public purpose. The last thing to say in the context of this is to go back to the wonderful spirit of how your mind is approaching it. The idea of a global health and finance board or public goods board should be seen really ultimately sometime in another decade or longer. We have a world in which economic policy is not just trying to deal with very narrowly measured outcomes that are defined by conventional macroeconomics, because what we have found in our lifetime is they generate these enormous externalities and become so big that they threaten the very framework in which we exist. So you are exactly right about the degree of open mindedness and

thinking of these things in a different framework than we have done for much of certainly of my professional lifetime.

Henry Huiyao Wang: You are right. One of China's achievements of China's transformation is that it was able to lift 800 million people out of poverty. There's also a great infrastructure transformation that is taking place in China, so now we want to collaborate with the world on infrastructure. The BRI has been under way for eight years now and as a matter of fact, tomorrow, the China-Laos Railway will open, connecting China to ASEAN countries. So you can see how infrastructure can really be a driving force for peace in the world. Do you think we can reinvigorate and revitalize financial institutions like the AIIB and NDB? Leslie, how do you think we can get all the development banks to work together on BRI and other initiatives?

Leslie W. Maasdorp: I think there's already very deep collaboration amongst the development banks and it's now deepening because of the climate change agenda. As you might know, recently at COP 26 the multilateral banks issued a joint statement where essentially almost half of all of their future development assistance and exposures lending, whether it'd be loans, guarantees, equity, will be towards climate finance. Most of the institutions had previous targets of 25, 30 or 40%—and now it's progressively moving up. So that deep collaboration is already happening, but we haven't yet consolidated it as a system. We still function as individual institutions and we could probably act as a system if we act in a more complementary fashion. But the climate change agenda has been a catalyst for that greater collaboration and there's already discussion with Kenneth Rogoff arguing recently in a Project Syndicate article for the creation of the World Carbon Bank, because if each country put in place their own carbon policies like the European Union is putting place a carbon board adjustment mechanism set of proposals, we would have very inefficient outcomes. I think some institutional reform might still be necessary, but what I could definitely indicate is that multilateral institutions have deepened their collaboration over the last couple of years, and more so recently, because of the collective agenda on climate change.

Henry Huiyao Wang: Jim, you served as the Commercial Secretary for the UK government. All those new international trading schemes, RCEP will come into effect on January 1st. CPTPP is also emerging, at least for the Asia Pacific region, while the UK and China are also applying to join. What do you think of these new 21st century high-standard trading systems and how can they really revitalize the global system and drive WTO reforms? How do you think these can happen? How can China and the UK work together on these new initiatives?

Jim O'Neill: I'll say two things that are contradictory. First of all, quite often, I think, people over-exaggerate the importance of legal trade deals. If you look at patterns of global trade, at least until the past two years, Germany had started to

export more to China than it did to its neighbor Italy, even though it was part of the same EU with a common free trade deal and the same monetary system. This was because of the enormous rising domestic demand in China for the kind of goods that Germany is so powerful at. The truth of the matter is that global trade is really driven by relative rates of domestic demand.

As part of that, and to link to aspects of your previous question that I didn't have a chance to talk about, I would love to see within the BRICS and separately, China and India cooperating on some of these things a lot more. If you look at how they've emerged the past 20 years, and if you look at the world the next 20 years, if China and India get their own trade cooperation right, it would literally transform patterns of global trade and that would be the basis for so many other positive things to happen. The contradictory part is, of course, is that we need to have more and more sophisticated trade agreements to deal with the rules to manage how we all engage with each other around the world, but it is not as important as making sure the countries that are behind those trade deals want to see the opportunities being equally shared between them around the world.

Henry Huiyao Wang: Absolutely. The BRICS countries should really have more collaboration. They are already very important players, and particularly, as you mentioned, China and India as the two largest neighbors with 1.3 or 1.4 billion people each and so many things being similar. I've been to India a few times and I see so much potential for Chinese companies to work there. There's so much to invest and collaborate on. I think if we can really get these two countries collaborate, global trade patterns could change as well. China is already the second largest economy and as you predicted, India could someday replace Japan as the third largest economy. There are all sorts of reasons for BRICS countries to collaborate as President Xi said at the BRICS Summit. I think we're almost at the end of the discussion.

I have a question from China News Agency—the BRICS Corporation involves countries in South America, Europe and Asia. What is the significance of cooperation between Europe and Asia and the culture exchanges between East and West?

Jim O'Neill: I'm very grateful and feel very fortunate that, at least until Covid and for much of the previous 30 years, I traveled around the world frequently. In my view, one of the greatest things that ever happened to me was the good fortune and the ability to be able to travel to countries in Africa, Latin America, of course, Europe, North America and, in particular, to Asia. You can only really think truly globally if you experience how people in local societies feel, because that only gives you a flavor of being able to understand the way people think and the cultural differences. And so of course, and I would argue one of the great strengths of the BRICS group, which is often overlooked, is the fact that it does include Brazil from Latin America, two countries from Asia and Russia that's in the middle of them, itself a source of great cultural and geopolitical strength. And so, the more these cultural exchanges can take place, along with the societal and

economic benefits that come with them are there, that's what I would sometimes lazily call one of those free lunches in life.

Potential and Growth in the Performance of BRICS Countries

Henry Huiyao Wang: You mentioned in your recent FT article that South Korea has become very successful as has China for that matter. Indonesia is also rising very quickly. So do you think Asian culture, with diligence and hardworking attitude, and central government coordination can make BRICS countries a little different? It seems that BRICS countries in Asia performed relatively well compared with others.

Jim O'Neill: This is a fascinating issue and my original contribution to the FT was longer and I actually tried to have a paragraph on this exact topic. Back in the 2003 BRICS paper, we studied 50 years earlier what a similar analysis would've suggested about 2003 and what is fascinating is that a number of North Asian societies have already reached the potential such an analysis would show—Japan, Hong Kong and of course, South Korea, which my opinion is arguably the most interesting country in the world of more than 45 million people that I've watched since I was starting professional life, because today it's the only one that has a GDP per capita comparable to that of European G7 members. It is an astonishing achievement. And it is a shining example, as is much of North Asia, for so many other ambitious countries around the world. And frankly, including Leslie's own South Africa, which has a similar population so that of South Korea. How can you achieve shared prosperity in order to deliver a better life? There are great virtues about the interconnection between some greater involvement of governments, enormous use of education and technology. And I think it's something that many North Asian countries share really powerful evidence of which – whether it be Latin America or many countries in Africa—need to understand what they can adopt for their own societies and implement.

Henry Huiyao Wang: Leslie, do you have any comment on those questions? Of course, the New Development Bank is doing great things, but what do you think about BRICS ? There's actually a question about the concept. When it was firstly proposed, it included five rapidly developing emerging countries, but now we have South Korea, which Jim mentioned, Indonesia and many other countries like Mexico, which you mentioned. What do you see in terms of potential as a whole for those emerging economies?

Leslie W. Maasdorp: As I mentioned early on, I think one of the contributions that BRICS and the New Development Bank has done, is to create a coordinated voice for emerging markets. Because all the other banks, including Asian Development Bank (ADB), European Investment Bank, IFC, European Bank for Reconstruction and Development (EBRD)—all of them have a control structure

in terms of who has the most votes which is dominated by the developed world. The NDB of the BRICS is a unique construct also from a global governance perspective in the sense that you have five countries coming together with very different sized economies and yet have an equal say. China has a GDP of 15.6 trillion for example, which it is 31 times bigger than South Africa, but South Africa also contributed \$2 Billion in equity and China doesn't have a bigger and no veto power. If you look at the control structures in the world after the Second World War in the IMF, the World Bank, obviously the US was the biggest economy way back at 50% in 1944, so they entrenched control structures for themselves. But today China has the second largest economy, sitting as an equal partner with a much smaller economy.

So, from a governance perspective, you also have a unique experiment, which one can see as reasonably successful. Clearly what is required now is to take a fresh look at globalization for countries like South Africa and Brazil to see how we can become like South Korea in the next couple of decades. Time is too short to make the case, but favorable periods of globalization enabled the rise and growth of South Korea. Favorable factors were also in Asia, which encouraged and enabled the industrialization of Korea over the 1970s, 80s, 90s into, as Jim said, one of the top 10 countries in terms of GDP per capita. But there are a lot of lessons we could certainly learn from Korea as a shining example of a country that was transformed from developing country GDP per capita in 1960s. In fact, I think Korea, had the same GDP per capita as Ghana for example. If you now look at countries in terms of economic size, it is just so different. In short, I think that the world has changed quite fundamentally, and we need to derive lessons and extract what we can learn from those success stories and try to reproduce them.

Henry Huiyao Wang: Yes, the world has changed profoundly. And I think the governance system of the New Development Bank, in which every country is relatively equal and have an important role to play, really fits Jim's vision that new emerging countries should be more engaged into globalization. After the Bretton Woods System, we should really reform and participate more so that we can really reduce geopolitical tension and produce more economic benefits. That's really the spirit that Jim already demonstrated 20 years ago. And Leslie, what you have been practicing that at the NDB is a new governance style that other countries, particularly the developed countries—the G7—should think about.

BRICS and Broader Global Governance

Henry Huiyao Wang: Now, I have some questions from the Brazilian newspaper O Globo—Marcelo Ninio. He's the chief correspondent based here in China and he heard that Jim would be appear on this program and raised two questions for O Globo, which is a major Latin American media outlet. The first question is,

compared with your expectations of 20 years ago and the reality today, which of the BRICS countries disappointed you the most and why do you think that had happened? And the second question: what should be BRICS' main focus today to help improve global governance?

Jim O'Neill: I know O Globo as a financial newspaper very well. Amongst the other great things about the BRICS acronym, I can admit, it's allowed me to travel to that beautiful country, Brazil, many times. In the spirit of trying to balance everything else, I'm going to contradict myself, but with a sense of humor. China is obviously the most successful BRICS country, but for me personally, in the spirit of what Brazil also represents, which is probably the greatest soccer/football playing nation in the world, China is also the biggest disappointment because it never took ownership of my own obsession of the Manchester United Football Club in England and in the days of the brief period of the golden era between the UK and China, I had the privilege of being on that tour with President Xi. His advisors allowed him to be succumbed to going to visit Manchester City's ground and not Manchester United's ground. I don't know how I failed in my in my ambition there. The second thing to say is, of course, is that Brazil and Russia, as the journalist asking the question knows well, equally share the position of being the most disappointing, and in many ways, Brazil is more disappointing than Russia, because Brazil has better demographics than Russia. But I quickly add, again as people at O Globo and many other Brazilian newspapers know, Brazil is often, in some ways, the most unpredictable of the BRICS. I will never forget when I was there in 2010, when Brazil was doing so well. Many people, including representatives from O Globo would ask me whether they thought Brazil could grow as strongly as China in the next decade and I looked at them and said you must be mad, but that year they had nearly done it. And today, many people probably think Brazil can never grow ever again, which of course is equally ridiculous. So, what I would say is that I think Brazil will not be anything like as disappointing as it's been the last decade. And maybe that's the case with both South Africa and Russia.

Henry Huiyao Wang: Jim, you gave us the history, your review and prospects for the BRICS countries and also the role BRICS countries can play in global governance, global health, and the global economic system. You've also given high praise to China's development and also other countries like South Korea. We've touched on many subjects and particularly how the developed world can really work with China with a lot of good advice, which I really appreciate. So, let's start with Leslie for concluding remarks.

Leslie W. Maasdorp: We're at an interesting period, a historic crossroads where I think this whole drive towards a green transition will provide fresh impetus for institutions like ourselves. We are obviously hugely excited about becoming a much bigger, more emerging markets focused institution, much bigger than what Jim dreamed of in 2001. Over the next five or six years, I would anticipate that

this bank is likely to have 25, 30, 40, 50 members and become a bigger emerging markets block, making a profound contribution to the world of multilateralism. Within the space of five to six years, this institution has already made its mark in terms of its contribution, so I'm very excited and I think I share this with my colleagues about what this new phase entails. The global pandemic has depressed sentiment very much, but it seems to us that if we integrate our approaches around health and sustainable development, we might be able to conquer this global pandemic through more coordinated global multilateral efforts.

Henry Huiyao Wang: Jim, we started with your Financial Times Paper just two days ago on some of the disappointment you have with the BRICS—the editor gave you a very sensational title. But China was the least disappointing and actually probably outperformed expectations in terms of global development. So, with such a large audience in China today, what's your expectation for China? How can China play a better role? You have always championed BRICS' role for the global development and global governance in the future.

Jim O'Neill: I just wanted to also say one thing to reiterate in my own mind, which is something that Leslie said early on in this discussion that is so important. Even though 20 years is a long time in my lifetime, in the history of man and women and life, it's not. And as Leslie said the BRICS New Development Bank has only been in existence for six years. This is why I look forward to the discussion the three of us will have in another decade, when it's 13 years or 16 years. Because it's important to keep that in perspective since we live in an era where there is a lot of negative mood about so much.

The second thing is something I learned throughout my life at Goldman Sachs, in particular, which is never let a crisis go to waste, never. And that the making of how most of us are as individuals or any countries or any governments is how you deal with the crisis. Crises will always happen. They are unavoidable because they are a consequence of human beings, and the key issue is we all need to respond to them properly. Again, Leslie is right about this in terms of Covid, that this creates enormous opportunities for things to be thought about differently, including cooperation.

Third is something that leads me lastly to your specific point about China. I think as we can see and hear—and I hope I tread carefully in my words—in recent years that China sometimes finds itself a little bit surprised about the scale of global focus on China. Of course, it's understandable because China's emergence being so new, but as China gets bigger and bigger, it has to find a better way of integrating its own thinking and what's right for its own citizens with the desires of the rest of the world. Each of the 30 or 40 times that I've been to China in my life, I'm always so remarkably impressed with the educational and technical abilities of so many people I meet. But I think in order for China to deal well with this next decade and beyond, it's got to find a slightly different way of positioning how it thinks and integrates with the rest of the world, which by the way, is just as important for the rest of the world as it is for China's 1.3

billion people.

Henry Huiyao Wang: We are entering a very challenging time and a challenging world with once-in-a-century crisis—the Covid-19 pandemic. As you rightly said, we should not let crises go to waste and use them to give new life to the system and make improvements in our current global governance system. And for the last 76 years after the Second World War, we’ve had Global Governance 1.0 and now we are heading to Global Governance 2.0. I’d really like to thank you for proposing the BRICS concept and giving credit to China’s performance, but I think the world should really work together—developing countries and all the G20 countries. I think that development banks actually have set a very good example of how we can work together, so thank you for creating this concept 20 years ago and now for the chance to talk. I hope that in the coming decades we can come together and talk again.

Jim O’Neill: It’s an absolute pleasure to be part of this, thank you very much.

Future of BRI and B3W: Competition or Collaboration?

A Dialogue with David M. Lampton

Henry Huiyao Wang and David M. Lampton

Infrastructure, development, and geopolitics often intersect in international relations. In *Rivers of Iron: Railroads and Chinese Power in Southeast Asia* (University of California Press 2020), the vision and implementation of China's Belt and Road Initiative (BRI) in Southeast Asia are closely examined by David M. Lampton, Selina Ho and Cheng-Chwee Kuik. With the historic Laos-China Railway set to open soon, what progress can we expect from this infrastructure project in terms of regional integration and economic development? What is the role of infrastructure in great power politics? Can the BRI and the G7 Build Back Better World (B3W) be reassessed through the lens of development cooperation? CCG President Dr. Henry Huiyao Wang and Professor David M. Lampton covered topics such as the importance of infrastructure in modernization and connectivity, development cooperation, regional development and globalization, and the Sino-American relationship.



Henry Huiyao Wang in dialogue with David M. Lampton

Professor Lampton is a leading China expert and has a distinguished career spanning nearly five decades in the study of Chinese politics and foreign policy and Sino-US relations. He was named the most influential China watcher by the Institute of International Relations at the China Foreign Affairs University in Beijing. He is currently a Senior Research Fellow at Johns Hopkins University School of Advanced International Studies (SAIS) Foreign Policy Institute and was the Dean for SAIS.

He was most recently the George and Sadie Hyman Professor and Director of SAIS-China and China Studies, having also served as Dean of Faculty from 2004 to 2012. In addition to his academic titles, Professor Lampton is the former Chairman and now member of the Board of the Directors of the Asia Foundation, and also former President and current board member of the National Committee on United States-China Relations.

Lampton is the author of many books, including *The Three Faces of Chinese Power: Might, Money, and Minds* (University of California Press, 2008), with prior publications appearing in *Foreign Affairs*, *Foreign Policy*, *The American Political Science Review*, *The China Quarterly*, *The New York Times*, *The Washington Post*, and many other venues popular and academic in both the western world and in Chinese speaking societies. He received his B.A., M.A., and Ph.D. degrees from Stanford University.

New Developments and the US-China Democracy Divide

Henry Huiyao Wang: Professor Lampton, you've really played a significant role in maintaining and promoting understanding between the US and China, maybe you can give an initial analysis of the latest developments in China-US relations, particularly the recent virtual summit between President Xi and President Biden.

David M. Lampton: We're in the most unprecedented time in US-China relations, perhaps since President Nixon went to China in 1972, and the mere fact that our relationship right now is in an unprecedented situation means there are no experts. This is a situation that we haven't confronted in a long time. To borrow a phrase from Deng Xiaoping, I think both sides are feeling their way across the river by feeling the stones. I think we are engaged in a kind of incremental step-by-step attempt to understand how we can manage this relationship in a far different environment. That environment is different from what we dealt with for the last 40 years in several respects. One is that China has made enormous strides in its economic power and its capacity to shape the regional economic architecture and infrastructure, and its military power relationship has fundamentally changed. So, it's quite natural to say we are really confronting an unprecedented situation.

I think President Xi and President Biden would both agree that our principal need at the current time is to avoid what I think President Xi called catastrophic

mistakes. If we ask, “is the big danger, catastrophic mistake coming?” and then talk about the Xi-Biden virtual meeting last week, I think I’m a bit more confident that there is a will to manage this relationship on both sides and of our ability to manage things for the next period of time. But I would want to emphasize that I think we have not fundamentally addressed the major issues much less resolved them. For the last 40 years, our growing economic relationship was a positive factor in the relationship. Now, economics is a very contentious part. Although we reached an agreement between the United States and China under President Trump in 2020, quite frankly, that trade and economic agreement was not lived up to. There had been hope with the new administration here in Washington that we might ease up on tariffs, but they are still there. So I would say there has been no fundamental progress on the economic side. On the military and security side, they talked a little about arms control and from an American point of view, I think, without speaking for our government, that for the first time now we might be able to talk meaningfully about arms control, at least in a limited sense. I take that to be positive. The sense I got from the virtual summit that our militaries may engage more seriously with each other in dialogue. If that happens, I think that’s good, but fundamentally, we’re in an arms race and this virtual summit did not stop it. There is quite a momentum in both our societies because a lot of budgets are involved, perceptions of threat on both sides are involved, and technology has a logic of its own. So, I would say the two big drivers of US-China relations—economics and strategic security issues—were not really addressed at the virtual Summit. Just to summarize, I think it’s better to talk than not to talk, but frankly, I didn’t see very much progress.

Henry Huiyao Wang: That was quite a unique analysis. You emphasized the importance of dialogue and that it helped create space for further dialogue. I could help but notice that President Xi referred to President Biden as an “old friend”, since they had a lot of exchanges and dialogues in the past. One thing is that President Xi mentioned is trying to avoid catastrophe mistakes, while President Biden also said something quite interesting, that he does not seek to change China or build alliances against China. He also said he recognizes the one-China policy. That is in line with what he said when he pulled out of Afghanistan, that he is no longer carrying out nation-building in Afghanistan, or for that matter in Iraq, Syria, Libya or the Middle East.

One of the complaints from the US we hear very often is that we helped support you to join the WTO and reform, but you didn’t become one of us—you didn’t converge. I think when President Biden said the US does not seek nation-changing, it probably signaled a change that the US is now starting to recognize that China is what it is, given its 5,000-year history, its development and all those aspects. Perhaps the two countries can really think about the framework under which they can peacefully live together, respect each other, and peacefully coexist under a win-win model. What do you think? Do you think President Biden sounds different from the previous administration? During the Trump era, it was said that the CPC is bad and its 100 million party members could not

come to the US, but not it sounds like a shift towards a more realistic attitude and thinking about how we can work towards the future.

David M. Lampton: First of all, I agree with the words that you highlighted like “old friend”. Certainly, I think there was some recognition that an attempt to change the internal values or operations of another political system is difficult. On Taiwan, I would say, you’re right. He reiterated the one-China policy. But on the other hand, he’s been reiterating the one-China policy all along while at the same time there have been some changes you might say in the implementation of that policy. I don’t think I heard him say that he was going to change implementation that much, but maybe I missed that. I would say: yes, those are positive words, but I don’t think they represent much change. I certainly don’t represent the US government or the Biden administration, but we have the Summit for Democracy coming up, which is a high priority for President Biden, who has talked about the global situation being, in a sense, in a struggle between autocracies and democracies. Usually, he mentions that China is a principal concern in that regard, so I see a bit more ideological content in the Biden administration than the Obama Administration when he was Vice President. Trump, frankly, was all over the place and wasn’t consistent. I took a grain of salt in a lot of things he had to say. You’re right that he tried to implement a policy of not permitting the 98 million members of the Communist Party to come to the United States, but I never understood how we would even know the status of individuals coming, so I didn’t take what President Trump had to say terribly seriously. But he was the President, and he did have levers of power, and occasionally he did do things that had a real impact.

The long and the short of it is, I don’t think any of the friendly statements I heard during the summit fundamentally changed the relationship. I think it provided avenues to talk about the real problems and I hope we will seize this opportunity. I don’t want to say it might be able to stabilize our relationship, but I think it can at least make it less fragile and give us a little time to operate. But the question is: what are we really going to do to change the calculations of the other side? I did note that in the course of the virtual summit, there was a talk about red lines on Taiwan. Even in the wake of the virtual meeting between Xi and Biden, the tensions continue in the Taiwan Straits, and the movement of naval and other assets by both sides continues. So I don’t see a big change in the security situation in the Taiwan Strait, certainly over the long run.

Henry Huiyao Wang: The tensions in the Taiwan Strait are still there, even though the US has repeatedly said they respect the one-China policy. But in recent years we’ve seen Trump send his undersecretary to Taiwan, and there have even been several planeloads of congressmen visiting Taiwan in recent months. The Taiwanese leader even said there were US military personnel based in Taiwan. On top of that, we’ve seen a parade of warships sailing through the Taiwan Strait as well. So, I think China has to respond, but I think we should really come back to the Three Communiqués and the one-China principle that

has been agreed upon in order to not upset the status quo. If that is done, we can stabilize the situation and at least stop the downward spiral of the bilateral relations.

Also, even though President Biden said at the UN General Assembly that we are not seeking to build up two camps and we don't want to ask people to take sides, this "democracy summit" ironically is dividing the world into democracies and non-democracies or autocracies. China might not have this exact same style of Western democracy, but we do have consultative democracy. For example, over 1 million comments and suggestions were solicited for the 14th Five-Year Plan and they have a whole process in which there are experts, delegates, and CPPCC members involved giving the government recommendations, critics and plans to be compared all year round. That is why I was thinking that President Biden, who has said he would not change China, could give some credit to the system. If everything in China was a bad decision, how would China have lifted 800 million people out of poverty or built perhaps the best infrastructure in the world? This kind of two-camp concept of democracies and non-democracies makes a lot of Chinese people confused.

David M. Lampton: You ask "Will President Biden give credit for consultative democracy?" I think the short answer to that question would be "no", he's not going to do that. You would ask why, and I think this gets to the fundamental dilemma of our relationship. It's equally true in Beijing or China more broadly and in Washington or the United States, that the political calendar in both of our countries does not make being reasonable, conciliatory and flexible very easy to do for either leader. Xi Jinping just had the sixth plenum and by my reading from his point of view is he has achieved what he wanted to achieve but there is no reward in Chinese politics for being very flexible with the Americans. If you look ahead to the 20th Party Congress coming up next year, it's going to be very difficult for any Chinese leader to be flexible in the documents of the sixth party plenum. There was a lot of concern about subversion from the US and its activities in Hong Kong and elsewhere, so I would say the level of suspicion in China regarding the US has not diminished, and the domestic political situation in China does not reward leaders for being flexible and accommodating to the United States.

By the same token, it will be also true in the United States next year. We have congressional elections, the results of which will dictate who controls both houses of Congress. That's why Biden is so desperate to get his legislation passed now because he can't be sure he'll have a Congress that will pass it after the elections next year. Frankly, he either has to use his capital to pass legislation on infrastructure or build more social equity in the US. He doesn't want to spend his capital saying nice things about China and then be criticized for it. Then, when we pass the 2022 elections for Congress, we're going to be into a campaign for the next President. Leaving aside whether Mr. Trump will be a major force in the US politics and maybe be a candidate, which I think both are possible, the spirit of populism, or what you might call Trumpism, is very strong in the United

States. What I'm saying is that the domestic political environment in both of our countries does not encourage either leader to be seen as weak by their respective publics. So there is a concatenation of domestic inflexibility and nationalism in both of our countries, exaggeration, and rumor. And then the power relationship and the economic relationship is changing. As one observer said long time ago, it's an enigma wrapped up in a question.

Turning Inward: Technology, Security and Populism

Henry Huiyao Wang: I think your analysis has brought up the question of de-globalization and nationalism. Populism is running high, in the United States and also in China, which is really not conducive to leaders having deep dialogues and facing their own challenges. You are right that President Biden is facing midterm elections coming up in the Congress. In the Senate, they barely have control with only one more seat with Vice President Harris. The dynamic is changing, and they already lost the Virginia governor race recently to the Republicans. That's exactly the dilemma we are facing. I think that the US and China have their own paths of development. China is basically living in the world of democracy and the US is probably the largest opposition party. China also has a domestic market democracy or technology democracy. One billion smartphone users can decide what they do on a daily basis—they're voting every day. Somehow, I think this internal energy and synergy will continue.

David M. Lampton: I was just going to say that you have mentioned technology a couple of times. I think part of the problem we have is a technological race, part of which is over economic dominance and control or at least success within future industries and one example is artificial intelligence. Now we have the capacity to delegate decisions within militaries to machines, which now have algorithms to determine what phrases will be selected for political advertisements or propaganda. The purpose of many of these mechanisms is to select thought and exaggerate conflict within our own societies and between societies. So I think one of the new elements in our relationship is this technological race. It's partly for economic dominance, but technology has its own logic. And part of that logic seems to be to increase conflict. Also, the delegation of military decisions to machines is a very dangerous trend that we have to be mindful of. I think one of the new aspects here is technology. How are we going to come together as two countries to cooperate to make sure that it's men running the machines and not the machines running men?

Henry Huiyao Wang: Absolutely. As I recall, this started with President Trump and banning the use of companies like Huawei or ZTE, and a host of companies have been put on that list during the Trump administration. This kind of decoupling in technology has already happened, which has forced China to develop its own. It's really not healthy and I think we should use technology to

conquer the universe, not to start an arms race or military competition.

David M. Lampton: I'm not sure most Americans would agree with that, but the way I would put it is that because there is this decoupling going on and then in China, as the US, there is talk of self-reliance, because when you have security problems with a country, you don't want to depend on them for strategic items, whether it's food or high tech machinery or whatever. I think the United States sees China is increasing the state enterprise sector because that's where some of your most advanced firms are. I think the American storyline is that China is increasing state control of key aspects of the economy, particularly in the security area. Therefore, the United States uses that as a justification to clamp down on exports of certain goods to China. It's working with Taiwan for a big investment in computer chips in the American Southwest. In other words, we're each responding by creating our own independent economic and technological subsystems. When one side does it, the other side reacts. In a way, I don't find it very productive to say who started this. What I find it productive to say is we now are in a problem. So, what are we jointly going to do to solve the problem?

Henry Huiyao Wang: We do have a huge problem. I would probably interpret that as mistrust and also a misunderstanding to some extent. For example, China has always been a highly centralized country and has thousands of years of history, with big irrigation projects across the country geographically. So gigantic projects are always tackled by the state, which has helped lift 800 million people out of poverty or have these big infrastructure projects across the country—Three Gorges' Dams or bridges between Hong Kong, Guangdong and Macao. So, SOEs play a unique role in China, but somehow this is not really understood well outside China. Also, for example, in the rural area, the Wi-Fi rates by China Telecom and China Unicom has to be low so that they can help villagers.

David M. Lampton: I think you're right in terms of China's history, especially its rice culture, which meant that it always needed to have big water projects that almost had to be initiated by government or very large government entities. You have a different history, a different geography and a much bigger population. But in the same token that I think while we should better or at least Americans should better understand China's particular circumstances, I think China needs to recognize our particular circumstance, which is that small and medium business is the backbone of the American economy and even our biggest corporations for the most part have little or no direct ownership by our government. And so in our politics, the private sector or small business looks at China and they say, how can we compete with state-financed corporations that have more centralized decision making? While it's understandable where China's economic and organization came from and why you do it; on the other hand, it's just precisely the kind of economic management and philosophy that scares our private sector, small and medium business-sized companies. So we're not going to solve this problem, but I think for the last 40 years in the process of trying to get into the WTO, and

with China's application to the CPTPP, the new version of TPP, I hope we can move towards both trying to join that and once again try to develop common, at least more common economic practices that will reduce the tension. So, my basic feeling is that in the last few years, when we didn't join AIIB, we didn't join TPP, and you set up RCEP, is that we have been growing apart. And it seems to me that we have to get back in trying to grow a little more together. We've got to take account of your needs for centralization and scale, but you need to take into account our demand by our private sector.

Henry Huiyao Wang: You're right. We all have special circumstances of course, China has its characteristics and the US has its characteristics. How can we really minimize that gap and understand each other better? I think that a multilateral mechanism like the WTO is really the answer for that. I'm glad that you mentioned RCEP and CPTPP—China joined one of them and is trying to join the other one. Those are all very important mechanisms for minimizing the differences and enhancing understanding. The CPTPP was largely designed by the US and China is willing to join. The Minister of Commerce put the CPTPP agreement on the MOFCOM website. That's the target to shoot for and probably a way to find much more common ground by talking to each other through these multilateral arrangements.

David M. Lampton: Of course, I agree with that, but it's not going to be easy since CPTPP has relatively high market-style standards, and so it will take work for China to comply. Frankly, in the United States, there are forces in the Democratic Party, not to mention the Republican Party, that don't like international economic regimes which they think would constrain the United States too much. So the point is: I think that's the desirable way to go, but once again, particularly in this case in the United States, neither political party, at least for the last few years, seems very comfortable with the idea, even though Japan took the lead after the US pulled out of the TPP discussions.

Henry Huiyao Wang: Yes, now even the UK wants to join CPTPP. For China, actually, last year, President Xi actually announced at the APEC Summit that China is very interested in joining and MOFCOM Minister Wang Wentao officially applied to join the agreement just two months ago through New Zealand. If you talk about 10 years ago when CPTPP just started, maybe they thought China still followed the WTO and the TPP had higher standards that were not compatible with what China had been doing. But now, after eight or nine years, China is catching up. For example, the TPP is concerned about IPR and China is the largest patent applicant in the world now. TPP calls for high environmental standards, which is reflected President Xi's slogan about how "green mountains and clear water are equal to mountains of gold and silver", so this is already deeply embedded in the Chinese mentality. It also calls for labor rights to be respected and China is calling for common prosperity, the goal of which is to improve the the lives of migrant workers in the cities. China is now

one of the largest digital economies and the digital economy already accounts for about 38% of China's GDP. You also mentioned SOEs, which I think is a big worry overseas, but why can't we opt for some competitive neutrality? In China, SOEs are necessary, but when they perform overseas, they could follow a principle of competitive neutrality, which is internationally recognized.

David M. Lampton: I agree with most of what you said. I think the Americans would respond, or at least many Americans would respond that they're reluctant to make new agreements with China on economics when we didn't get satisfaction on the phase-one trade deal. One thing I was hoping might come out of the Xi-Biden talk was some movement forward that would allow American politicians to say: We negotiated with China. We didn't get everything we wanted, but when we did agree, China lived up to it. Now, of course, the Covid virus came along and our bilateral relationship had many problems. So objectively speaking, you can understand why there have been problems, but the average American realizes there were agreements to purchase large amounts of US exports and basically that has not happened. Of course, Chinese would say: you Americans threw tariffs on us and not only on us, but even American allies. So in any case, I think we have to find a way to restore trust in previous agreements before there's too much appetite for new agreements. You said one thing I thought was very insightful. Actually, European countries have expressed some interest in the TPP or CPTPP, although I'm not sure how much. I would say the more the Europeans express interest and the more interest China expresses in getting into that organization, you'll find that the Americans will not want to be left out. I think in some sense, we should try to repair past agreements as best we can, or at least live up to them going forward and restore credibility to the idea of negotiation. Then I think if China and others move towards multilateralism in the CPTPP, you'll find that the Americans will get more interested.

Focusing on the Practical: China's Remarkable Railroad Revolution

Henry Huiyao Wang: I was at a virtual webinar yesterday with the Körber Foundation in Germany. Actually there were people suggesting the EU should be in the CPTPP as well. This kind of multilateral arrangement does help world prosperity. Since China joined the WTO 20 years ago, China's imports from around the world have gone up six times, and its exports have gone up seven times.

David M. Lampton: Europe is a complicated place. Generally speaking, the Germans are pretty forward leaning on relations with China, particularly economic relations. I would just say as a piece of friendly advice: do you remember Chairman Mao had the Three Worlds theory? Essentially there was the Soviet world, there was the American world, and then there were the intermediate zones—the middle-sized powers. I always thought it was a great

strength of Chinese foreign policy to consolidate or to focus its energy on the middle powers in the intermediate zone. Now, we didn't like the way China focused on those, but the idea of keeping the middle powers at least friendly to China is an important idea. Frankly, it seems to me China's relations with several very important middle powers could use some repair.

Henry Huiyao Wang: That's a good suggestion. I think because the trade war, the tariff war launched by the Trump administration, actually impacted many things. Now Biden and Blinken are seeking allies through AUKUS, or the Quad, which are coming up against China. So, I think you're right, we need to unite or maybe have friendly relations with as many countries as possible. That certainly is the way I think China should go.

Now your new book is out, *River of Iron: Railroads and Chinese Power in Southeast Asia*, co-authored with Selina Ho and Cheng-Chwee Kuik. Could highlight what's special about this most recent book? What is it about?

David M. Lampton: The book is about how China itself built a high-speed rail industry. To make a very complicated story short, in about the year 2000, China didn't have a high-speed rail industry or a high-speed rail system. The first part of the book describes how China built the technology and the infrastructure for a high-speed rail system, and it's quite a story. If I was a Chinese trying to make the best case, I would say this is an example of how industrial policy and planning can work, because you moved very rapidly to develop the technology and then lay down the infrastructure. I would think, outside of a wartime circumstance, no major country besides China could do something so big, so fast. Now, of course, when you do things big and fast, mistakes happen and they happened in China. But basically, you developed very rapidly what you might call a "technology forcing industry". In the United States, Boeing aircraft not only built airplanes, but it also developed metallurgy, instrumentation, navigation, all of the things that surround these systems. So, in building your high-speed rail system, you built a driver for many other high-tech parts of your economy and the first part of this story is how you built this industry. Now, once you had it, particularly once you built your own system, you then had an industry that was an export industry, like Boeing is for the United States or Airbus for Europe. So, the second part of the story—as we were discussing before the show, I believe next month your rail line from Kunming to Vientiane, the capital of Laos, will open up. So the first part of this export system to Southeast Asia will open up soon. The second part of the book, therefore, is about how China is negotiating with seven Southeast Asian countries on the continent (not to include Indonesia) to build a system that will possibly connect them to the south of China and hook into China's domestic system.

Now, in describing how you're doing this, I want to make a very important point that we made in the book, which is that this idea of an interconnected Southeast Asia was not particularly a Chinese idea. This wasn't Hu Jintao's idea. This wasn't Jiang Zemin's idea. It wasn't Xi Jinping's idea. In this particular

case, the Southeast Asians are going back to the colonial powers - the French and the British in Southeast Asia—who wanted to connect by rail to China to penetrate inland into China. But what China did do is build the industry, then got the capital, and now it's helping Southeast Asia build out this plan. So, this isn't a case of China forcing an infrastructure plan on reluctant Southeast Asians. In fact, the Southeast Asians came to (former Vice) Premier Zhu Rongji around 1995 and asked whether China would help finance railroad development in Southeast Asia. Zhu Rongji said, "No, we don't have the money or technology here. It is not the time for us". Well, a few years later, China did have the money and technology, and now it's being pushed forward. So, the bulk of the book deals with China in negotiation with the Southeast Asian countries to gradually, "yi bu yi bu" (step-by-step), build this system. It is a little uncertain, but I believe there will be a system of connectivity of high-speed rail probably in the next 20 or so years that will reach Singapore. So, this book is that story.

Some people ask: is this China's strategy to take over the Southeast Asia? And I would say no, it's a strategy to make China central to what you might call the East and Southeast Asian economic system, and you're building connectivity just like we knitted together our continent with a transcontinental railroad here. Leaving it aside each specific project, the concept is strong that China is going to get rich if its neighbors get rich. If the neighbors are going to get rich, they need to be connected to China, and they need to be connected with each other. I think this is building the infrastructure for economic modernization and integration in Asia, and this isn't a plot by China to take over the world or that region. It's an intelligent effort to create economic interactions that will be beneficial to everyone. Now, of course, there's going to be corruption and all of the things that go along with such a vast vision, but in 2018 I think the United States began to wake up to the power of this vision. So now you see the US is negotiating with the Australians and the Japanese, talking to the Koreans and the Europeans about how we might cooperate to help build up infrastructure in Southeast Asia and elsewhere in the world. I think a little competition in this area will be OK. But the basic pattern is that the United States is waking up to the need for infrastructure in much of the world, not to mention ourselves. We've got our own infrastructure problem too.

Henry Huiyao Wang: I remember how seriously you worked on researching this and when you were here in 2016 we actually introduced you to a professor from Beijing Jiaotong University, who is specialized in high-speed rail.

David M. Lampton: We're very grateful for your help. I would just say, as we were talking about US-China relations—we should not let the problems that our two governments have obstruct our academic and intellectual exchange. Frankly, I'm afraid that both our governments are making it more difficult.

Henry Huiyao Wang: One of the positive outcomes of this Xi-Biden summit is

that on the same day they announced that they would resume journalist visas and exchanges, so there is something positive going on. Last time, when they talked in September, we had the release of Madam Meng Wanzhou and this time we heard the news that the journalist visa policy had been relaxed. I hope there will be more positive news on the trade and many other fronts.

Coming back to this infrastructure project, you're absolutely right. Around the year 2000, China really didn't have much in terms of high-speed railways. I myself grew up in a railway family. My father actually went to Africa to build the Tanzania-Zambia Railway, which was the first time China was trying to develop its international railway business. Now, it's incredible that China has two thirds of the world's high-speed rail lines and total number of lines in China's high-speed railway network is equal to the next 10 countries combined, whereas the US military budget is equal to that of the next 10 countries combined. I think using infrastructure for connectivity is really great and you're right that now the US is waking up to that. On the same day President Biden was talking to President Xi, he signed his USD 1.2 trillion infrastructure bill and at the G7 summit, the US and other G7 countries proposed B3W—Build Back Better World. We talked about a lot of differences, a lot of disputes and a lot of different values and things like that, but in terms of infrastructure connectivity, it's not only going to help your neighbors but also help yourself. If the world keeps that mentality—to help each other and build infrastructure for the next half a century, that would be probably the biggest pie for all countries to work on. Maybe we could even upgrade the AIIB to the GIIB (Global Infrastructure Investment Bank) and maybe the US and Japan could also join. So, what do you think about the prospect of having a global alliance or bank for infrastructure? B3W and BRI should be combined in some fashion.

David M. Lampton: I think the US and others should say the world needs infrastructure. In many cases, we the United States, the Germans, French, Italians, or Canadians, have certain talents and we should work together to build infrastructure now. I think in the case of Southeast Asia, it's close to China and China's the biggest trading partner for almost all Southeast Asian countries now. So I think it's natural that China will have a leading role in that set of infrastructure. But if we were talking about the Americas knitting together even more, with perhaps Canada, the US and Mexico, I presume the United States would play a bigger role because it's closer to home. And of course, the Europeans will play a bigger role in the further integration of Europe. So my point is that China, the United States, and the Europeans have their backyards or their natural economic communities, and therefore you'll see more activity by China in Asia, more perhaps by the US in our own country initially and then in our region and the same in Europe. But I think also this gets back to the point I made of the big role of SOEs in China, particularly in this industry. Fankly, Beijing can tell the railroad corporation what you want to happen and they can finance it. In the US, the government can't tell companies what to do, so it has to be attractive to them. So, in the US, for instance, maybe we could provide

investment insurance or certain benefits to encourage companies, but in the end, this is the difference between a publicly oriented economy versus a more centralized economy. I think it means that the US will probably not play as big a role as China in building infrastructure all over the world. That would just be my guess.

But I think the US should try. We ought to work with our friends, in that sense, with China too, if there is an opportunity. We certainly can work with the South Koreans; we can work with the Canadians that are quite advanced in this area. The French and Italians all have something to contribute. My guess is that the US will be somewhat less involved in terms of the amount of money and it would be more private-oriented than a Chinese approach would be. But with that on balance, we're going to do more of this in more places in the world. Because, frankly, in the same way China benefits from this integration and connectivity, if the US is going to achieve economies of scale, we need to benefit from closer connection to bigger markets. And so, I think we're going in the same connectivity direction. I don't think globalization is dead. You don't have to take the word "globalization" out of your center's name. It's a reality and I think the US is getting into the game.

Henry Huiyao Wang: Globalization definitely isn't dead, and I'm sure our center's name will have "globalization" in it for a long time to come.

The Contributions of Continued Globalization

Henry Huiyao Wang: I see infrastructure as the biggest common denominator for the whole world, for developing countries like those in Africa, Latin America, Central Asia, ASEAN and everywhere, and even in the United States and in Europe. There's a center named Global Infrastructure Hub (GIH) that issued the Global Infrastructure Outlook report basically saying that from 2016 to 2040, global infrastructure investment needs will increase to USD 94 trillion with annual growth of USD 3.7 trillion. The World Bank actually issued a report on the Belt and Road saying that road construction through the BRI will enable the countries along the routes increase their income from 1.2% to 3.4% and global real income will increase from 0.7% to 2.9%. This means there will be common prosperity, not just for China, but for the whole world. So what do you think about the BRI? China is building railways in Southeast Asian countries, which is kind of a maritime silk road to use the Chinese term. They are trying to help build this connectivity. China has been working on the BRI for eight years now. What do you think of BRI's prospects and how we can really work together? China doesn't want to work on it by itself and the principle is to jointly build and mutually benefit. So, what's your take on the BRI?

David M. Lampton: I would defer to you in particular and Chinese people in general, but it's my impression that the BRI itself is evolving over time as

China gets involved in more places around the world and different kinds of infrastructure. Some places where China is operating are not very politically stable, others are much more secure. China is learning lessons and how to deal with different political systems. It's very sensitive to build infrastructure in another political system, because they're organized differently and you face indigenous groups of various sorts that might not like what's happening. So I think China's learning, and on balance I think China's becoming a little more cautious. As China's growth slows, which I think it will over time, other needs for China domestically will remain considerable. So, looking at the discussion in China, I think Chinese are themselves asking, how much of our national talent and resource and technology should we devote to places outside of China versus inside of China? And even inside of China, how much are the domestic needs versus military needs? What I try to tell Western observers, based on my understanding, is that China debates about all these issues and you're feeling your way towards sounder policy and not becoming overly committed financially. It's always been my understanding that one reason China wanted the Asia Infrastructure Investment Bank was to have others beside China finance a lot of this infrastructure. Frankly, I thought that was a pretty good idea. I think the United States made, I would say, a strategic error under the Obama Administration not to join this. In fact, when China drew up the charter for the Asia Infrastructure Investment Bank, it was an American lawyer that helped the Chinese do it. So all I would say is, yes, I think China will become more involved over time, but it will be increasingly careful. It will want to spread the risk to other countries beyond itself, and that will see China more constrained by competing demands for budget. So yes, it's going to go on and I think it will continue to be very important, but it's still only going to be a small part of what the world needs.

Henry Huiyao Wang: Yes, so that's why we are thinking of ways to have this B3W and BRI work together. Basically, China already has investment, some technology, and infrastructure capacity; B3W might be, on the legal and other aspects, more familiar with local competition, because the US and Western multinationals are really interested in BRI and want to work together. We have the AIIB and we could really set up a Belt and Road International Bank Alliance that is led by the World Bank, AIIB, ADB, AfDB, and Latin American Development Bank, allowing all the development banks to work together toward an infrastructure revolution for the next half century and reduce the amount of geopolitical competition.

David M. Lampton: These are the things I'd like to be talking about, but instead we're talking about red lines and we're talking about bad faith agreements and so forth. We've got to get our dialogue to the point where we can talk about this, but instead we're still talking about the red lines. Realistically, I think the security frictions between our two countries right at the moment are growing and as long as our security relationship is more threat-oriented rather than opportunity-

oriented, you're going to find people probably in China and certainly in the US say: how can we help China increase its connectivity to the rest of the world if we face a sort of security threat? I think the precondition to moving ahead on these good economic ideas is to get our security relationship under control.

Henry Huiyao Wang: I think that it's very important to build trust and mutual understanding. I hope this high-level head-of-state diplomacy can stabilize the relations and even put up guardrails against those potential risks. Then we can start constructive dialogues among the people in commerce, treasury departments and economic sectors as well as probably banks like the AIIB, which is already a good internationally acceptable model with 104 members, including all Western countries except the US and Japan. I think your book, *Rivers of Iron*, is really a case in point. There is such a strong demand for this kind of infrastructure connectivity that I really think development banks, USAID, the China International Development Cooperation Agency and many other international agencies should work together, maybe through the UN somehow, to find a way to connect the world through infrastructure and avoid the risk of hot war, because if geopolitical tension continues we may end up destroying the world. Your research in this area really promotes understanding of what China is doing in Southeast Asia and how we can really work together.

David M. Lampton: In that regard, there are small steps we can take. The first small step is actually going to be a pretty big step and that's getting our people going back and forth, and talking to each other again in person on a sustainable basis. I think one of our top priorities in US-China relations ought to be how can we sooner rather than later restore our person-to-person contact?

Henry Huiyao Wang: Absolutely, that's very important. We really need to restore people-to-people exchanges. I think it's great that the US has admitted over 100,000 Chinese students to go back to the United States this summer. I hope that we will have more US students coming to China as well. Next year, hopefully we can contain the situation and start finding a point where we can maintain a minimum number of cases but maximize people-to-people exchanges. We hope you can come back. We have to see each other rather than just talking virtually.

Q&A Session

Henry Huiyao Wang: We also have some questions from the media. One question is from China Daily – what's your take on the BRI's contribution to the world and how can we work in a good direction? And another question from Guancha, a media agency based in Shanghai, is among the trans-Asia railway networks outside China, the China-Laos railway will be the very first to open. What do we think about the example it will set for future development? One

more question is that, this year marks the 30th anniversary of the establishment of the China-ASEAN dialogue and yesterday, President Xi and ASEAN leaders just had a summit. RCEP will also come into effect on January 1st next year, covering 1/3 of the global economy and 90% of goods with zero tariffs, while the US-China trade war is still on-going. What do you think of the possibility of removing tariffs between China and the US? The formal establishment of a comprehensive strategic partnership between China and ASEAN countries was also mentioned, but the US is trying its own Indo-Pacific strategy. Are economic ties a better direction to work in rather than AUKUS or Quad-like security alliances.

David M. Lampton: As we mentioned, the Vientiane-Kunming line should open up in December. I think the question was what kinds of effects will this have in Laos? I would say in the region, more broadly, first of all, the Laos link is really the first link on the continent of Southeast Asia that will have been completed. All the surrounding states, whether we're looking at Malaysia or particularly Thailand, which is next to Laos, and Vietnam, are looking at how the project goes with Laos. Once it's completed, I think that will create more incentives for others in Southeast Asia to join, so I would say the success of the Laos situation is very important and all of the states will be looking at the results of that project, asking themselves "Now, does this make it more preferable for us to join the system sooner or later?" For Laos, the completion of this line is very important, but it's not just Laos as it will trigger the calculations of all the countries around it, particularly Thailand, because now Thailand knows there's going to be a connection to China through Laos. Thailand wants to run the railroad from the Thai border with Laos at Nong Khai down to Bangkok. So, the next big question will be, what Thais will do? This is also true for the Vietnamese and the Burmese to the East and the West, who are looking to see whether they want to join the system. I would say the Laos is a big advertisement for the system.

With respect to Laos, I think it's very important on a theoretical level. You might ask, where did the title for my book come from: *Rivers of Iron*? Well, actually, that was a phrase that was used in an interview by a Laotian planner who said the great countries of Europe and indeed China and many other countries developed their cities and their commerce by rivers. It's true that Laos sits next to the Mekong, but much of the Mekong is not very navigable, which means Laos doesn't really have access to the sea. It's the only Southeast Asian country with no access to the sea. So, he said, we need to build our "Iron Rivers" and to make up through infrastructure what nature did not provide us in terms of rivers and easy transportation. So, I think the completion of the Laos link is very important. It's much bigger effect on the about seven million people who live in Laos than, frankly, economically, as Laos and the train will probably lose money. But in terms of its effects on the decisions of others and facilitating the development of this network over time, I think it's very important.

One of your questioners asked about RCEP. All I would say is that I'm not an expert on free trade, but I know that the United States is really not pursuing

free trade agreements very actively with anybody in Asia. I've always thought that if there are fair rules through comparative advantage free trade is better for everyone. So, I'm almost alarmed that the United States is allowing everybody else to build free trade structures while we seem not to be pursuing free trade agreements very rigorously.

You also asked about the prospects for the tariffs? I can't speak for the US government as I have no special information, but I would certainly note they didn't seem to be very prominent in the discussion between our two Presidents. There is nothing that I have heard publicly encouraging about tariffs. Frankly, going into elections in the United States and considering the importance of congressional support, I think right now there is very little support for tariff reduction here. Certainly, some industries and economists would like tariff reductions, but I don't think that's the prevailing sentiment in the Democratic Party. So, I think we ought to move ahead on improving our own economic policy and negotiate with China on the phase one trade deal and reducing tariffs. But once again, the domestic environment is not very conducive to that at the moment.

Henry Huiyao Wang: I think your book serves as a very good case study of connectivity along the Maritime Silk Road in terms of Laos' first rail connection with China, an example for other ASEAN countries that could really change the future infrastructure landscape of ASEAN and connectivity in Southeast Asia. I really admire the depth of your research on this great subject and coming up with such a great book. I would also like to recommend another book that I edited with Alistair Michie titled *Consensus or Conflict? China and Globalization in the 21st Century*, in which many issues we talked about are touched upon. Contributors to this book include Joseph Nye, Pascal Lamy, Lord Jim O'Neill, Wendy Cutler and Edmund Phelps, a Nobel laureate, and many others. I'll be sure to send you a copy.

We covered quite a number of issues including China-US bilateral relations, the recent summit between President Xi and President Biden and in particular your new book *Rivers of Iron* that touches on the new rail link in Laos and the matter of connectivity and infrastructure—including how we can have BRI and B3W, China, AIIB and the World Bank work together. This is the dialogue we should have rather talking about geopolitical conflicts and military alliances. Thank you so much.

Part III Addressing Common Global Biggest Issues

Fundamental Issues and Challenges

As different nations and governments develop policies to address the various challenges they face, it is important to remain aware that there are both issues that individual regions, countries and even economies face, but also larger, global issues that affect all countries and regions and must be dealt with in a systematic and comprehensive way.

A couple of the larger issues that face nearly all countries are the inclusion of a larger proportion of marginalized groups in leadership roles. This includes women, immigrants and other residents of countries so that they can both be protected under the laws of the countries in which they live but also feel incentivized to contribute the economies and societies thereof. The other is the constant and increasingly serious threat of climate change. China has been developing innovative green technologies that are increasingly being adopted by countries around the world.

As we consider other new and controversial developments, like artificial intelligence, the question of values and ethics comes into question. It is not simply a question of how to properly regulate new technologies so as to avoid potential risks, but more of the underlying ethical principles in how to develop these technologies for the betterment of mankind.

This is also related to governance, specifically what democracy means for peoples and governments in different contexts and at different phases of development. While the West has had a monopoly on the definition of democracy and been the architect or at least inspiration for the vast majority of modern government, the evolution of concepts of governance and even what comprises democracy are being revisited. Currently, China is providing an alternative narrative to electoral democracy and suggesting that there might be a better way to represent the will of the people.

Inclusive Leadership for a Fragmented World: Women in Global Governance

A Dialogue with María Fernanda Espinosa Garcés

Mabel Lu Miao and María Fernanda Espinosa Garcés

In our currently fragmented, uncertain world, the drive for a multipolar and multilateral solution to global governance must also consider the role of all members of our global society, especially women. The contribution of women to economic development, especially in emerging economies, has been crucial and women should be integrated more deeply into global governance, from reforms to policy setting and beyond.

In the following dialogue, María Fernanda Espinosa Garcés, an Ecuadorian linguist, poet, politician, and diplomat, and CCG Secretary-General Mabel Lu Miao discuss inclusive leadership in global governance, especially the role of women in global governance, which is a very timely topic and touches on the role of women in international institutions and organizations.



Mabel Lu Miao in dialogue with María Fernanda Espinosa Garcés at CCG's Beijing office

María Fernanda Espinosa Garcés is the President of the 73rd United Nations General Assembly and former Minister of Foreign Affairs of Ecuador. A distinguished politician and diplomat worldwide, she has more than 20 years of multilateral experience in international negotiations, peace, security, defense, disarmament, human rights, indigenous peoples, gender equality, sustainable development, environment, biodiversity, climate change and multilateral cooperation. Espinosa Garcés has very strong leadership and extensive experience in diplomatic circles and within the United Nations. She has twice served Ecuador as Minister of Foreign Affairs, Minister of National Defense, and Coordinating Minister of Natural and Cultural Heritage. In June 2018, Espinosa Garcés became the fourth woman in the seventy-three-year history of the United Nations to be elected President of the General Assembly. Besides her political career, she is also a poet and essayist.

Mabel Lu Miao: You served as President of the UN General Assembly during a period of intensified geopolitical tensions and have said that in the current state of the global governance, the UN needs reform, while the current geopolitical architecture needs to listen to more people's voices, and more representative voices should be heard.

This year marks the 80th anniversary of the United Nations, and China was the first to sign the UN Charter. I remember I saw a documentary about that when I was younger, which was quite impressive for me as a member of the Chinese community. We are supporters of the UN Charter as well, and you mentioned that too. Currently, China has put forward three global initiatives on development, security, and civilization, which are very important to building a community with a shared future for mankind. They also share the core values of the UN. From my perspective, the UN is a peace project. It is also a project for a more prosperous world. We should not forget what the UN represents: peace, development, and prosperity after the Second World War. As you said, young people should revisit and review what happened history and the UN's contributions.

Could you further introduce how you assess the current state of global governance? Are multilateral institutions still fit for purpose? What specific reforms do you believe are most urgent for the United Nations and other multilateral institutions to ensure they remain equitable and effective, especially in a multipolar world?

María Fernanda Espinosa Garcés: Well, this is a very interesting question, because what we are witnessing is that we are not in the post-WWII scenario; we are no longer in a bipolar world. We are experiencing the emergence of the great strength of many powers. Some call it a polycentric world. Others call it a multipolar world. But what is true is that power has diversified into many hands, and what we are experiencing is high multipolarity but low multilateralism. What we need to do is redesign multilateral institutions so they can embrace this diversity and this redistribution of power. The core should remain the importance

of international cooperation and of international solidarity.

Why? Because we are more interdependent but also more vulnerable as a human species. For example, if you look at the health sector, we know that our security depends on the behaviour of our neighbours. And even physically, in your building, you know how your neighbours behave in terms of the rules and standards, in the way societies respond to that. If we talk about climate change, the emissions of CO₂ do not stop at borders. It doesn't work like that. The environmental crisis, which is a planetary crisis, does not respect national borders. Whether we speak about the extinction crisis, the disappearing of species, whether you speak about air pollution or climate change, the deterioration of our oceans, everything is interconnected. Therefore, our response should be collective action and should be based on cooperation. This is the core of a well-functioning multilateral system.

Your question was, what are the things we need to change? I think we should preserve the core values of the UN, the reason why it was created, to build a world of peace, of well-being and dignity for all. These remain, I would say, the center. But we've reached a situation where it's different, because the actors in the international community are different. If you look at the technological capabilities, if you look at the wealth in natural resources, if you look at natural capital throughout the world, there is a more complex scenario out there.

So, the things that need to change, I would say, are in the way the multilateral system makes decisions, translates the decisions into practice, and this practice improves the lives of people. But these are things that are not working in the system that we have today. What is the balance between the role of the General Assembly, which is a sort of a parliament of nations? Because it's every country one vote, regardless of you know how many square kilometers you have; it's one country, one vote. It's sort of a parliament of nations. Then you have the Security Council, whose main mandate and responsibility is to keep the world safe and free of conflict. That is also something that the system is not delivering. As we speak, there are more than 100 active armed conflicts around the world. So, something is not working well. Humanity, in a way, is a custodian of peace. This is something that also needs to be boosted.

Currently, the UN is undergoing a very profound liquidity crisis, a financial crisis. One of the things that should be reformed in the system is the way we finance the system, how is that countries contribute to finance the system that is going to deliver for humanity. And currently, what you see is that if one country withdraws, the whole system is paralyzed. But then, this multipolar world has to respond in a different way. And the UN needs to be financed in a way that does not rely on one country only, but has more diversified sources of funding.

And we have seen an incredible commitment and generosity from China. China is not only saying in international fora that we believe and we defend multilateralism, but they have made sure that the fundamentals are properly funded, not only in terms of how much resources you invest in the system, but also how much you contribute to the decision-making processes.

I have never worked for the UN, but I have always been connected to the UN.

You know, that's also an advantage. I've never been paid by the UN, but I have been ambassador in New York and in Geneva. I've been President of the General Assembly and a Foreign Minister, and I can tell you that the constructive spirit of China in multilateral negotiations is something that is highly appreciated, because we are living a time of great polarization, of great fragmentation, and we need these bridge countries that basically broker wider agreements that are so important.

Let me give you, perhaps, two or three examples. It is true that the UN is in trouble, underfunded, with legitimacy challenges, with trust challenges. But in spite of all of that, it continues to deliver. Just in May, for the first time ever, governments came together to approve a new pandemics treaty that is going to really make cooperation in a pandemic situation easier and framed under certain shared norms and standards—for example, access to medicines, access to vaccines, several protocols that are going to help.

A few months ago, the International Maritime Organization passed a carbon adjustment tax for shipping, agreed by all countries. A few weeks ago, we were in Seville for the 4th Financing for Development (FFD4) Conference. The Seville Compromise is a very strong outcome negotiated by all members and basically committing to increasingly closing the gap on financing development. And here again, China comes leading by example. You mentioned the three initiatives on peace, development and civilization. These are not only words. They are practical investment commitments of the country to support the countries that are less privileged. And that's the core of multilateralism.

Mabel Lu Miao: I appreciate your words. Actually, China has tried our best to give more budget to the United Nations, but the US is still the largest budget contributor. China is the second largest, nearly on par with the P5. I think what you mentioned about UN reform is very, very important.

We need to reform the UN, but we should still appreciate the achievements it has made for humanity. There is no other project like the UN that can be replicated by others—there is no other alternative. So, I think we should continue to uphold the core values of the UN and the spirit of collective effort to promote peace and prosperity for humanity.

María Fernanda Espinosa Garcés: Also, some good news: it's not only the percentage of each country contributing to the UN—whether you pay or not, also your dues—but the increase in the contribution of China is extremely meaningful because now, China contributes almost 20% to the overall budget of the UN. In terms of peacekeeping operations, China went, if I'm not mistaken, from 18% to more than 20% of the peacekeeping budget of the UN. So, that makes China a very strong player. Again, not only words, but action, and this is extremely important.

Women in International Organizations

Mabel Lu Miao: You are the first female Latin American president in UN history. How do you see the significance of your role? How can developing countries, especially those in the Global South, secure a more representative voice in the institutions of global governance?

María Fernanda Espinosa Garcés: I am the CEO of an organization called Global Women Leaders. It's a network of women, former heads of state and government, and former high-level officials of the UN. I have the privilege to be the CEO. And that's the reason why I sit in Madrid; my office is there. And we produce a report called Women in Multilateralism, and we track the 54 most important international organizations and look how many women these organizations have.

Mabel Lu Miao: That's interesting. Data talks, right?

María Fernanda Espinosa Garcés: Yes. So, just look at our website, and you will see we have been tracking this for three years now, and what you see is a chronic underrepresentation of women in positions of power in the international system.

Let me give you one example. We tracked, for example, how many women ambassadors the UN has had in New York since the UN was established. Since 1947 until today, we have had 2,800 permanent representatives in New York. And from all of these permanent representatives, only 7% have been women representing their countries. When I was appointed ambassador to New York, we have in the wall of our mission there, the permanent representatives, the ambassadors, they were all men. I said, well, when I leave, there would be one picture. But my hope was not just my picture, but then others, other women ambassadors. But I was the one and only, until now. In Geneva, the same, the one and only. And in many cases, they have never had a woman.

If you look at the heads of agencies, if you look at the governing boards of UN agencies, if you look at organizations as important as the World Bank, it has never had a woman at the helm. So there is a historic under-representation of women in the system. And it's not only because we are 50% of the world's population. It's not only that, but I think that we bring quality. We bring different perspectives, we bring different ways of problem-solving, and we bring good diplomacy.

Mabel Lu Miao: It's part of the inclusiveness of global governance.

María Fernanda Espinosa Garcés: Absolutely. It's not just to have the numbers right. No. It's also because we do good diplomacy. And, you know, Mabel, when you travel the world and you speak for the good causes of multilateralism, of cooperation, of better global governance, you know that you bring a special

something.

Mabel Lu Miao: We contribute from our angle.

María Fernanda Espinosa Garcés: Exactly. And I think that's perhaps what the world needs right now when we think about changing leadership. For example, at the UN, when I was elected President of the UN General Assembly, I was the fourth female in, at the time, 73 years of history. And the four women all came from the Global South. The first one was from India, Vijaya Lakshmi Pandit. The second, Madame Brooks, from Liberia, from Africa. The third from Bahrain, from a Gulf country. And the fourth, and only from Latin America, when I was elected. So, it was a great responsibility for me because I knew that I had to do a good job. Why? Because I wanted more women behind me and more young women diplomats to have this opportunity.

Mabel Lu Miao: Wonderful. Regarding women's leadership, this year also marks the 30th anniversary of the adoption of the Beijing Declaration. Thirty years ago, a very significant conference happened in Beijing—the World Conference on Women. Last time at the Boao Forum for Asia, I mentioned that my mother had a magazine about that forum, and I read that magazine carefully. It gave me a strong impression that in the future, maybe I would have the opportunity to access global governance.

So, I am honoured to mention that at the 30th anniversary of this significant conference, maybe in October, once again, an international women's summit will happen here. What are your views on the past? Over the past 30 years, what has happened to women's responsibility and contribution, achievements in global governance? Do you have some hope for the future?

María Fernanda Espinosa Garcés: Well, first of all, I'm so happy that you were reading the magazines of your mother. And when I think where I was 30 years ago, you in Beijing, I was living in the equatorial Amazon. I was living in the forest, working with indigenous peoples of the Amazon.

Mabel Lu Miao: You are not just a senior diplomat and politician, but also an Amazonian expert. You can share more about that.

María Fernanda Espinosa Garcés: When I'm asked, where did you study? I studied geography. But where I learned the most, I know I learned from the indigenous communities of the Amazon. And it's real. My work was with indigenous women, basically. What I was doing, among other things, was preparing the first delegation of indigenous women to travel to Beijing for the conference. And I wrote an article then, called "Tracing the Beijing Conference from Below".

And here are small anecdotes. There was funding, let's say, for six delegates from indigenous women of Ecuador to travel to Beijing. And these were women that have never left their communities, not even to travel to the capital city. So I

was preparing. And believe me, they are so wise and so smart. We prepared an agenda, a platform that they came together with other indigenous women because the Amazon is shared by eight countries, as you know, including Brazil, Bolivia, Colombia, and Peru. They came together. A Trans-Amazonian Women's meeting to prepare the first indigenous Amazonian women agenda for Beijing.

So they sent six funded participants. I was, of course, the person coordinating. But I said, that I would leave my space for one more of the women there. I'm sure that they're going to find their way. So, I stayed and I gave my seat to another indigenous representative, and I monitored. And at the time, we didn't have phones, and cell phones didn't exist. So I was very stressed because I didn't know where they were or what they were doing.

Mabel Lu Miao: They'd never left their region, but they crossed the Pacific and came to the conference.

María Fernanda Espinosa Garcés: They went to Beijing and they were a big success. Because it was the first time that they found other indigenous women that came to Beijing.

I think that Beijing was perhaps the landmark of the women's rights agenda worldwide. The legacy of Beijing was so important 30 years ago. You know, being here, going to universities, having a career, and having dreams as young women, it's also very much because of the struggle and the agendas that were built in Beijing. And I'm very happy to hear that there will be some celebration here to remember the legacy of the Beijing Platform for Action.

Of course, the downside is that we signed and committed to many things. The situation of women around the world is not the best. And not only the issue of representation and participation, but also violence against women, salary gaps, overburden of care work in the shoulders of women worldwide. In situations of conflict, women and girls are the ones that suffer the most. In human trafficking, 80% of people trafficked worldwide are women. There is a lot of violence against women that are in politics worldwide. You have very difficult situations in many countries around the world, of a lack of opportunities, of discrimination.

If you ask the World Economic Forum, they will tell you we have done the arithmetic, and it would take more than two hundred years to close the inequalities gap. UN Women tells you, I think it's a hundred and fifty years that we have to wait to close the inequalities gap. And I think we need fast track. We cannot wait 150 years because we want our daughters and granddaughters, and we want you, the younger generations, to have the same opportunities and the well-being, and live in a world free of violence. So, this is a collective endeavor.

Of course, there are places where we are seeing regression in women's rights, in regulations, in legislation. And you see that instead of improving, we're going back. So, I think it is time to celebrate the legacy of Beijing, but it is time to continue working also for women's rights because it's not a given. And sometimes, younger generations, they forget all the struggle that went into this. So, you are where you are, very talented professionals, very committed young

women. It didn't use to be that way and the struggle continues. I'm happy to see such enthusiasm for the commemoration of the legacy of Beijing.

Mabel Lu Miao: Actually, I think that organizing this event once again in China, in Beijing, is a good reminder for people and for humanity of how hard and how tough it has been for women in history to achieve better gender equality and parity. It's a great accomplishment.

Today, our topic is women in global governance. I often encourage my colleagues to get involved in the core of all issues, including global governance. There's some data from China that over the past three decades, or even longer, China has produced more than 40 million female scientific and technological professionals. This is a huge number, representing over 45% of the total workforce in science and technology. The STEM fields—science, technology, engineering—are very important for our development, and China has made a lot of achievements in this field. Actually, more than 15.6% of all graduates are female students. So, it means that there are more female students than male students in China. But we still need to review their employment and the types of jobs they are doing, and in mid-career, what kind of situation they're in.

So, you yourself are a model and an idol for all women aspiring to access global governance. I think it's a huge encouragement to talk about your story today on this occasion.

Women and Work in the Environment

Mabel Lu Miao: I know you are an expert on global environmental governance and play an active role in that area. Last month, you wrote an article discussing the importance of preventive diplomacy at the core of climate change governance. Could you share more about your views on global climate governance? We know that right now, we are facing a lot of challenges, especially with transactional diplomacy versus what you said, preventive diplomacy. Transactional diplomacy is prevailing, and people narrow the concept to deal-making in all cases, without a long-term vision for global governance. I would love to hear your opinions on this.

María Fernanda Espinosa Garcés: I think that one of the challenges that humanity faces is how we get together to govern the issues that go beyond our national borders. In nature, I think the best example is the Earth system. Because yet again, if you have a wetland or you have oceans or a forest, ecosystems do not respect borders. So, if you want to fight air pollution or if you want to fight extinction and combat deforestation, it's because we have a responsibility over the functioning of the Earth system. It's our life-support system. When people say we want to save the planet, and believe me, the planet can live very well without us, without humans. But we cannot live without the planet. That's where our food, our air come from.

The truth is that what we have done, I think at certain moments, a good decision is to create conventions on issues, issue-based conventions—the Biodiversity Convention, Climate Convention, Wetlands Convention, Migratory Species Convention, and to reach more than 2,000 multilateral environmental agreements. And the problem is how you make sure that you comply with all these conventions.

China is a big country with great capabilities, but I come from Ecuador, a country of less than 20 million people and we would have to hire half of the country just to report back on the conventions. It's impossible. Basically, we should overcome this issue-based international treaties and look about a more systemic way of looking at the air system and make the life of countries easier to cooperate, to protect, to invest in an ecosystem-based approach.

It counters the current structure of governance. That includes, of course, climate. At one point, there was an initiative when I was president of the General Assembly. There was a mandate to negotiate the Global Pact for the Environment, some kind of a framework, of a big framing mechanism to help countries to work in ecosystem mode and not in issue-based mode. When countries have to report back on their NDCs, the Nationally Determined Contributions on climate, this needs to be integrated into their report to the Convention on Biological Diversity, to the Convention on Desertification, to the Wetlands Convention, to have a more integrated approach.

And we haven't come up yet with the solutions to that, but I think we need to rethink it. When you talk about environment, people think about climate, which is critical because climate change is killing so many people, displacing hundreds of thousands of people. So we need to act. But you cannot act on climate if you do not create the proper adaptation mechanisms that include, for example, keeping forests alive, combating deforestation, combating pollution, air pollution. We know that 70% of the emissions come from cities. So there is a very strong component of regulation of cities regarding air pollution. So we are lacking a systemic approach. We are lacking interconnectedness, we are lacking better ways to collaborate.

You were saying, Mabel, what are the challenges for the current multilateral order and the importance of regional approaches and regional responses? When the UN was created and established, this configuration was of regions, of multilateral configurations, issue-based, interest-based, regional approaches. I know China is leading APEC, for example, and ASEAN, even the BRICS meetings that took place recently. These are regional configurations, issue-based configurations, but all these regional spaces, all these ad hoc groups need to come up with responses. And of course, there is the need to have a global universal structure. That's the UN. But I think we really need to reassess the effectiveness of the environmental conventions, even the Climate Convention. We are going to meet in Belém for the 30th time.

This is COP 30, meaning that we have met 30 times, and emissions continue to grow. So, something is not right. And some countries take the issue of climate change more seriously than others. Let me again put the example of China. China

has a long-term plan, a very well-organized transition. It's the first producer and investor in renewable energy. So again, they act as they say. And this is a very good example because not all countries do the same.

Mabel Lu Miao: I agree with you. It's very interesting that you mention the connection between regional governance and global governance, especially in this fragmented world. I think we need to renew and innovate global governance. For example, just yesterday, the EU and China concluded a summit and reached a very important agreement: the EU would like to work with China on the green transition. Both sides will strengthen their bilateral cooperation on the green transition and support the Brazilian people to get a great and successful COP 30. I think it's very important, as it represents two key pillars of global governance—the EU and China—making a consensus on the green transition, and it's good for global governance. After all, everyone suffers from climate change, and it is a global issue.

But right now, with the intensifying geopolitical tensions, the competition between superpowers sounds like a more exciting term. But, as you mentioned, we need to translate these theories and ideas into actions. The UN and China have reached a good consensus on the green transition, including initiatives on electric vehicles (EVs), renewable energy, and how to spread them to other regions, like Africa and Latin America, making sure no one is left behind—digitally or in terms of renewable energy. Those are a very important part of global governance.

During your visit to Beijing, you must have seen many cars with the EV symbol. These are electric vehicles, and they are very cheap in China. China would like to contribute this technology to the world. I think it's a good thing.

I remember exactly at the Munich Security Conference, some people criticized China for overcapacity and dumping its EVs. But one person from the US said, "Come on, if the Chinese are willing to subsidize the world on climate change and help reduce the impact of climate issues, why not? It's good for everyone, for every individual on Earth." Some may be right, some may be wrong, but I still believe that, as you mentioned, the EU and China are two pillars of a regional mechanism. They can work together, and this is a good thing for the world—a good thing for what you called preventive diplomacy, as you wrote in your article.

María Fernanda Espinosa Garcés: Sometimes when we speak about the need to reform the current institutions and mechanisms, including the UN, we think that reform happens because you write a document and you say, this is what needs to be improved. We need to improve the way the Security Council delivers. We need to do a mandate review of the UN and just mainstream it. We need to do more with less and be more cost-effective.

The truth is all of that is needed, but real reform has to happen at different speeds. There are things that can be done now. There are things that are going to take a little longer. There are a series of mandates contained in the Pact for the Future that came out in the latest Summit of the Future last year. So, there is

a lot of movement, a lot of space and opportunities right now. We all agree that the system cannot continue operating the way it's operating. And we also know that there is no silver bullet to fix the system just like that. This is a call of co-responsibility and of really having a clear roadmap on how to deliver.

And there are urgent issues that we need to work on right now. One of the urgent issues is the financing of the system that I was mentioning, and how to optimize and how to use better the resources we have, how to set the priorities right. And this is the responsibility of governments, of course. Member states have to decide what are the priorities and really change a little bit in the way we expect the UN to solve and address all the problems of the world. The UN should remain, in my opinion, the big factory of international law because international law is basically prepared and done and delivered under the UN. But big policy advice, cooperation, capacity-building, guidance, then to land the actual action on the ground to regional spaces and national responsibilities. Of course, the oversight on peace and security.

And when I use preventive diplomacy, it's something that the UN has failed big time. We're always one step too late, too little too late. We arrive when the conflicts already take place. When we arrive, a humanitarian crisis already happens. And we're not exercising this capacity to prevent, to reduce risk, to prepare people and communities better to be more resilient and to adapt better and more to the climate shocks, for example. And we should really work seriously on preventing—preventing is less costly than to be always responding to permanent crises.

And in this is easy to say, difficult to do. I'm not naive, but I think we are in a make-it-or-break-it moment. That leads me to the younger generations. Because you have a big responsibility there, to learn from the past, to really do better than we did, that our generation did.

Women and Education

Mabel Lu Miao: You're an idol for women's participation in global governance. Many people say that there are more female graduates today—not just in China, but globally—and more and more female graduates have higher education degrees. However, if you examine their mid-career trajectory, you'll find that they are still at lower executive levels, on average, compared to men. This is often referred to as the “male leadership” phenomenon. In global governance, you already mentioned that we need more female ambassadors to the UN, more senior executives in the global system and international institutions. What words of encouragement would you offer young women who want to participate in global governance? What message would you like to share with them?

María Fernanda Espinosa Garcés: You mentioned that there are more women in universities than men and more women in STEM areas than men. In the world of diplomacy, when I was president of the General Assembly, the cabinet

of the president is formed by contributions of countries with diplomats. It's not the staff you have. They come from different countries. And I had two. I didn't choose them. It was the Chinese government that had the generosity to give me two superpower diplomats, and both were women. One was an expert on human rights, and the other was an expert on climate change. They were among the brightest and youngest diplomats in my team. I learned a lot from them.

The truth is that it is about opportunity and possibility. And I think we should never be afraid of asking for our space and seeking the roles we want to play, following our dreams. I would be lying to you if I told you it's easy. It's not easy. For women, it's difficult because we are expected also to be good housewives, good mothers and have different responsibilities. But that shouldn't be an obstacle, because we are experts in multitasking and we know how to perform well in different spaces. The world has changed in a way where the care work is better shared in the household, and that we can have career plans that are ambitious, that are forward-looking. But you also have to think about the generations of women to come and you want them to have more and better opportunities than you had. The truth is that when I was appointed Minister of Defense of my country, it was not naturally a job for a woman.

Mabel Lu Miao: In the past, the defense sector was typically a male dominated institution.

María Fernanda Espinosa Garcés: Exactly. Even the Foreign Minister. I was the first Minister of Defense and, being a professional, I wanted to perform the best way I could. But I always thought I need to do a good job because I'm opening the door for younger women and the younger generations, to prove that we are capable, that we deserve to be in spaces where decisions are made and that we have the merit.

So, never shy away. Be very careful about the impostor syndrome. Sometimes, women demand too much of themselves, thinking, "Oh, no, maybe I'm not well-prepared," "Oh, no, perhaps I don't have the qualifications," or "Perhaps I'm not ready." We are always ready to take on the responsibilities that come to us. Never shy away of opportunity and really fight for it.

I'd like to share an anecdote of my mother. I have three brothers and I something happened in school when I was about 12 or 13 years old. I think I was crying in my room or something, but my mom knocked on the door and I told her I had this problem. I was supposed to be leading the school newspaper or something that seems so important when you are living the moment.

And she told me, no one is going to knock on your door and tell you, here's your opportunity. It's not a given. You have to fight for it. Being a woman, she was talking to me because I had three brothers and a father, she said, always follow your dreams and push hard for whatever dream you have, even if that's to be a chief, a diplomat, an expert on foreign relations that represents this country and represents women in such an able way. I have seen her and am a great admirer of the work she does. It shows that we can do whatever we want

to do if we have the energy and the courage, and we are fearless. I think that has been a little bit of the push of my life and my career. But when we lead, lead with generosity and empathy, and I would say even with love, that's what makes the leadership style of women different.

Mabel Lu Miao: Those are the female characteristics of leadership.

María Fernanda Espinosa Garcés: Well, yes. And you never regret it. Believe me, if I saw the two people from China that worked with me at the cabinet, they would remember me not only because they learned from me, but because I learned a great deal from them. The energy that I have every day, I get from my own team in Madrid. They're all young women. We try hard. My team is rather small, but they're all women, except for the IT technician. But we did open calls for the positions, but it so happened that I work only with women. It should be a mixed group. But for the time being, it's all women.

Mabel Lu Miao: Excellent. You mentioned that we should seize those opportunities by fighting for them, not just waiting for those kinds of opportunities to come to us. I completely agree with you. It's not easy as a woman. As you mentioned, in China and around the world, women are often expected to have a thousand hands—you should do this, you should do that. You're expected to handle everything by yourself. If you can't do it all, it means you're not capable. There are so many expectations placed on women. But we should fight for ourselves, especially in society and in global governance, as you mentioned.

Q&A Session

Wu Jiaying, Journalist, 21st Century Business Herald: You know, China takes this year's 80th anniversary of the United Nations very seriously. In early September, there's a big parade happening in Beijing at Tiananmen Square. It's a huge event for China and for the world, I think. My first question is about how do you view China's role in the UN? My second question is how do you view the United States withdrawal from UNESCO? What is the impact on global governance?

María Fernanda Espinosa Garcés: About the role of China, it is not only the three initiatives on development, peace, and civilization, it is the very constructive contribution of China in the intergovernmental negotiation processes.

I've been around for decades, as an ambassador and in all my positions, China has always had a very positive constructive stand. It is not only the financial contribution that China is providing to support the functioning of the system, it is the attitude to contribute constructively to the discussions and the negotiations and the decisions.

China is a country that always respects its commitments, and that's very important. I have never seen China withdrawing from any of the multilateral agreements or treaties or organizations and institutions that form the system. And China has, for a long, long time, contributed to openly, generously cooperating with the countries that are in need. When you see countries that are undergoing major conflicts or major climate shocks, China always provides support. Cooperation is a word that we have seen come through not only in words, but in actions in terms of investment, in terms of constructive attitude towards the negotiations.

And we were only remembering the legacy of Beijing on women's rights from 30 years ago, and initiatives such as the Belt and Road Initiative that have brought together so many countries with great development opportunities. And the importance of China in securing supply chains, this is very important. Trade rules are very important not only for the big powers but for the smaller countries like my own. We have a free trade agreement with China. And believe me, we are far away. Why would China want to trade with Ecuador in South America? But it's not only about how much we get from this deal, it's how much we cooperate. You know, there is a spirit of true cooperation and generosity. This is at the core of multilateralism.

I have been to almost 20 COPs in my life and I have followed the commitment of China throughout. And when China says no, it's because they cannot deliver. When they say yes, it's because they can deliver.

I was part of the negotiations for the Paris Agreement and I just so happened to be seated next to Minister Xie at the time, who was the climate envoy for China. I not only learned a great deal from him, but I learned good climate diplomacy. And I know it's challenging for a country that has a responsibility to fight poverty, like China, that has done miracles in fighting poverty.

Mabel Lu Miao: China has lifted 800 million people out of poverty. It's a huge number.

María Fernanda Espinosa Garcés: It's huge. So, to do this and at the same time transition away from fossil fuels, at the same time invest in renewables, it's not a coincidence that China today is number one in renewable energy. It is not something that you do in one week. It's a long process of years of investment and vision. So, that was your first question. You know, it's real, and I hope that there are other powers that follow what China has done.

In all our countries, we have challenges. We are not perfect, of course. But if we keep our word and translate our words into action, if we show that cooperation is something that we care about and always raising our voice to defend the UN and multilateralism, I think we would be better off. I also celebrate this partnership between the European Union and China in terms of a just transition to renewables.

Your second question was about the US leaving UNESCO, but they have also left the Paris Agreement and the Human Rights Council. I think that one of the

beauties of the multilateral system is that it provides space for dissent. Countries that do not agree have the right to say, “I don’t agree, I don’t feel this is good for my country right now,” and make a decision. They have the right to do that. There are even legal mechanisms to do that, to withdraw. It’s not ideal, but it can be done, and the system should respect that. Of course, in terms of cutting funding, especially in the case of an important donor, the UN should be more resilient and well prepared to face things like budget cuts. Quite frankly, it wasn’t that well prepared. But this right to disassociate, to say, I’m leaving this because I don’t feel right now that this is contributing to my country, I think it’s a very legitimate decision.

What’s important is that the machinery continues to operate and the countries, which is the larger majority that believe that UNESCO has done an incredible job on science, education, technology, and most recently regulating with the principles of ethical use of artificial intelligence. UNESCO also has a long history in working against anti-Semitism. All of that is part of the legacy of these institutions and we should continue to support that. And if at some point one country feels it’s not in their interest, there are ways of saying no, and the system should be prepared to accept and process the right to dissent.

So, diplomacy is not the art of talking to people that think the same as you. Because for people that think alike and have the same projects and agree on everything, you don’t need diplomacy as much as you do a platform to discuss issues with those that think differently, that have different positions. The art of diplomacy is the art to speak with countries, groups, and individuals that think differently. That is at the heart of diplomacy.

Mabel Lu Miao: I really like what you said. Your answer reflects a great deal of wisdom and understanding of the art of diplomacy. Actually, I remember an interesting remark that the President of the Peterson Institute made at the WTO Annual Forum last September. He said we can work together to move forward with WTO reform and free trade mechanisms, while the US can prepare for a longer period and catch up. That was a very interesting interpretation.

I really like what you said about the art of diplomacy being to bring together people with different ideas, ensuring unity in diversity. That is the value of diplomacy. As a senior diplomat, you know the importance of this, and you’ve highlighted this spirit once again. I truly appreciate that. I think it’s a fantastic conclusion to our conversation and dialogue, and it’s a highlight of you as a senior diplomat with insight for opinions on diplomacy itself.

Actually, there are a lot of people listening to our broadcast around the world in English and Chinese, and they really want to hear our opinion, especially your views on the UN, UN reform, and global governance, particularly inclusive leadership for a fragmented world and women’s leadership in global governance.

María Fernanda Espinosa Garcés: Thank you, Mabel, for having me for this conversation and for this incredible audience of young diplomats-to-be and young professionals. It’s so encouraging to see that all the ideals of global cooperation

would remain a part of the commitment of the younger generations to work and commit to a better world. I'm so privileged to be at CCG's headquarters and I'm looking forward to continuing this conversation.

Mabel Lu Miao: I think today your opinions will plant seeds in the hearts of those people who, in the future, will be the forest of our global governance. They are the young think tankers. I think this is great encouragement for all of them. Again, I appreciate it.

The Global Green Transition and China's Role: A Historical Perspective

A Dialogue with Adam Tooze

Henry Huiyao Wang and Adam Tooze

Climate change continues to be one of the world's most pressing issues and green technologies that reduce carbon emissions are a key part of fighting climate change. China has a long history of developing alternative technologies and has become a major developer of new energy tech from zero-emissions power generation to electric vehicles.

In the following dialogue, CCG President Dr. Henry Huiyao Wang and Columbia University's Adam Tooze share insights on climate change, the technologies that can help to mitigate it as well as their impact on the world, from China's perspective as well as the countries that might benefit from these technologies.

They also engaged in live Q&A with Zhiyuan Cui, Professor at the School of Public Policy and Management in Tsinghua University; Rob Gillespie, First Secretary, Head of Economics and Analysis at British Embassy Beijing; and Edmund Downie, PhD student in the Science, Technology, and Environmental Policy program at the Princeton School of Public and International Affairs.



Henry Huiyao Wang in dialogue with Adam Tooze at CCG's Beijing office

Adam Tooze is Kathryn and Shelby Cullom Davis Professor of History and Director of the European Institute Columbia University. Tooze is a prominent English historian and the founder of the Chartbook, a newsletter that features writing, statistics, charts, and book recommendations on economics, history, and geopolitics. As a contributing writer for *Foreign Policy* and a frequent columnist for *The Financial Times*, *The Guardian*, *The New York Times*, and other major publications, Tooze regularly provides incisive commentary on global economic governance, monetary policy, geopolitical conflict, and climate-related risks. He is the co-host of *Ones and Tooze*, a popular podcast produced by *Foreign Policy* magazine. His interviews, commentaries, and public talks appear in major media outlets such as Bloomberg, BBC, CNN, and NPR. Professor Tooze teaches and researches widely in the fields of twentieth-century and contemporary history. His most recent books were *Shutdown: How Covid Shook the World's Economy* (2021), and *Crashed: How a Decade of Financial Crises Changed the World* (2018). He holds a Ph.D. from London School of Economics.

This dialogue was moderated by Zichen Wang, Research fellow and Director of International Communication, Center for China and Globalization (CCG).

Zichen Wang: CCG's Global Dialogue series actually started amidst the Covid pandemic, when travel between China and the rest of the world was basically shut down. So, Henry started this initiative to talk with foreign dignitaries and public intellectuals.

Among the guests that have participated in this dialogue, we have Hank Paulson—who you just named—and Niall Ferguson, Stephen Roach, Pascal Lamy, Graham Allison, Angus Deaton, Adam Posen, and many others. So, we are very glad that after the Covid pandemic, CCG is able to continue this dialogue, to promote the knowledge from China and also from the outside.

For those of you who do not know Henry very well, he is the Founder and the President of perhaps the No.1 non-governmental think tank in China. He was appointed as a Counsellor for the State Council, China's government cabinet, in 2015 by China's then Premier. Before that, his career spanned the Chinese government, the Western private sector, and then China's public sector. He was a visiting fellow at Harvard Kennedy School. He was a senior fellow at Brookings. He founded CCG together with Mabel Lu Miao in 2008. And under his leadership, CCG has grown to be one of the leading non-governmental platforms for dialogues like this, as well as for Track II diplomacy between China and the West.

He has also played pivotal roles across the world. He is, for example, the only Chinese national on the Steering Committee of the Paris Peace Forum. Often, CCG, under the leadership of Henry, is perhaps the only Chinese organisation at events like the Munich Security Conference and the Aspen Security Forum.

So, let's also give a warm round of applause to Henry to join Adam Tooze and

have this wonderful conversation.

Henry Huiyao Wang: Great. Thank you, Zichen. I remember when I was talking to Larry Summers two or three years ago, he was saying that lifting 800 million out of poverty was something comparable to the British Industrial Revolution. But now you're having this green transition—Green Revolution—which is probably even more impactful, more sustainable. So I'm very happy that you have given this very comprehensive overview of your research and your findings.

In your recent research, you described China's renewable energy surge as unprecedented in human history. That's something, which is true. I think that since Covid, we noticed that acceleration. This newly installed capacity has been really staggering, and it's a huge paradigm shift. The capacity installed is exceeding the rest of the world combined.

So, from your perspective as an economic historian who has done a lot of studies, how do you evaluate and situate China's green transition within the broader arc of global economic history? What historical precedents, if any, can help us understand? I think you've made a lot of comments there already, but I'd like to know: what is this going to be the future of global governance and green governance? Can this new paradigm shift be modelled in a way that works out both for China and for the rest of the world?

You mentioned very correctly that in Germany, the auto workers don't like BYD because they have a lot of local labour employment issues, tax issues, and the local voting process. So, how, in the long run, can we solve this? And what can be the solution to that?

Adam Tooze: This is the fundamental question. I think maybe one way of thinking about this is to realize it's astonishing we have climate politics. It's this far-flung hypothesis that if you measure really, really hard, you can see a gradual increase in CO₂, which we only really began to do. Do you know what? They began to do it because they were doing above-ground atmospheric hydrogen bomb testing, and they decided it would be a good idea to measure the composition of the atmosphere before they exploded many more bombs. The '60s were extraordinary in terms of anthropocenic ambition—no one had any problem with exploding hundreds of huge hydrogen bombs in the high atmosphere.

So, in that spirit, we decided to measure and then hooked up with a bunch of speculative science, which said there could be global warming. By the '80s, we kind of began to believe that was true. But we also, in the '80s, realised that if you took this at all seriously, it meant the end of the world as we know it from the industrial point of view. There is no version of the world that began with the Industrial Revolution that's compatible with this hypothesis. So, unsurprisingly, it kind of banged around international conferences for decades because everyone could see the problem. It wasn't very real in the short run, but the science seemed incredibly serious, but the possibility of changing the world was just far too daunting. So, little happened.

This is all building up to the colon, and then China actually decided to push

towards manufacturing wind and solar at actual world-changing scale. And it's only really in the last 10 years that we've gotten to that point.

So, when you ask, how do we adjust to this? The short answer is—it's the old cliché—it's too soon to tell, comrade. It's far too soon to tell. This is going to take some time to figure out before we wrap our heads around this.

Like in your report, you say the International Energy Agency (IEA) says we need \$4.5 trillion [for renewable energy annually]. We're nowhere near that yet. One thing we know is we're going to need unbelievable numbers of photovoltaic panels. And what we already know is that Europe and the United States are going, "Oh my God, we can't cope. There's far too many." And yet, the answer from all the scientists is you need even more.

So it turns out that first you start thinking about it and go, "This is a huge crisis. Oh, there's nothing we can do." And then you get to the point in the last 10 years where the Chinese go, "Well, there is something we could do. Here are the photovoltaics." And then in the West, the response is, "Oh my God, we can't actually do that, not with yours. I mean, we're going to make them."

So I think we're still, in terms of this relationship, shall we say—or like stages of grief—we're in kind of an early stage of coming to terms with this process. I'm not impressed by ordering projects, like the plan for some big solution. But what I do think is possible now is real change. What we can do is actually secure sustainable electricity in Pakistan. Pakistan is a non-trivial part of the global jigsaw puzzle. To be able to do that is huge.

Could China, for instance, agree to bolt its baby CO₂ pricing system onto Europe's much more sophisticated system and get real about CO₂ pricing in China? Yes, it could. That would make a huge difference. Would it be a global carbon price? No. But it would be two large pieces of the world economy and a very sophisticated mechanism. That would be a step in the right direction.

Can you do this with the United States in its current form? No. Don't even waste your time. It's not worth bothering. They're living out their own drama. But could you maybe do it with Brazil and Europe and China? Absolutely. And so it will be those kinds of steps. We should recognise how early in this process we are.

The Chinese Communist Party thinks in multiple generations, ten generations, that kind of scale. We don't have that amount of time. But we definitely are in a process of generational, epic historical adjustment. So, that's why my answer is modest, not because I don't understand the force of your question, because I just think it's just too soon to tell.

Henry Huiyao Wang: Absolutely. I think we are seeing now, of course, some unease on the trade war, tariff war, and also China-West relations in general, there are sometimes tense relations. But I think that this new Green Revolution could probably be a solution to soften these tensions in the long run.

For example, you imagined exactly right—you talked about Pakistan, you talked about Brazil, and many other things. I've also been thinking, in your presentation, you mentioned Africa. Something comes to my mind, like solar

power in Africa. Africa has abundant sunshine. Let's do a huge solar farm there.

And then, if we can solve this transmission problem, let's get that power to Europe. China could invest in African solar farms, and the power could be harvested by the European Union. They are now trying to diversify away from Russian energy reliance, which is great. So there's no risk, actually, for Europeans to get the power from Africa, but China already invests heavily. And that could be a win-win, because Africa generates revenue as well.

Adam Tooze: I host a regular panel hosted by the German Böll Foundation, on the problems of green energy transition and it would be fantastic to get a Chinese perspective. If there are colleagues from this group who'd like to join, they'd be so welcome.

We recently heard from a representative from Namibia, where they're thinking about doing precisely that kind of project. Because, obviously, it's a desert state. They want to do hydrogen. They want to do green hydrogen. They want to do some of the supply chain, so they won't just be a raw material export. And Chinese photovoltaic is key to that.

In that vision you were carrying forward, one of the key moments was, okay, then we're going to do transmission on a large scale from Africa to Europe, right? I didn't even say this, but the space where China has completely ruptured the envelope. The Europeans and the Americans pioneered the technology—solar came out of California, wind came out of Europe. China scaled it up and did it bigger and cheaper. But where China has completely broken the envelope, and is actually mapping a world in truly utopian terms, is ultra-high voltage transmission. And no one else is even close to the scale of the buildout that China is pioneering.

But that, let's be honest with each other, is the global electrostate. That will be the China State Grid, using its completely unprecedented expertise to do something we definitely need. But it's the China State Grid, and it has the China State Grid label on it—proudly, and rightly. But that's what it is.

So at that point, the politics of this intrude. And we need to talk *détente*. We need to talk mutual coexistence. We need to talk protocols. We have to get real about the politics and not pretend that this is just great technology, because power is entailed, and dependency is entailed. And as quickly as China's technology develops, the fear of dependence on China's expertise is real. And again, Chinese policy won't succeed unless that is factored in, right?

Henry Huiyao Wang: Well, I think probably this is an evolving process. It won't happen in the short term and it's probably going to take a long time. But again, you're absolutely right. You know, Chairman Mao used to say that you start from the rural, and then that's urban. So, probably it's good to start with developing countries—if they are more accepting of green solar, EV cars. And then, when that has been benefiting Central Asia, Latin America, Africa, and Gulf countries, that spillover may someday come to the others.

I had Pascal Lamy come my office just a while ago. We were talking about

German Volkswagens and BMWs here in China, but let's have those JVs in China reinvest back into Europe someday and have a JV approach. It's probably more acceptable by that time, if we can really work out something.

Adam Tooze: We've seen it in the last two years. I've been in meetings in Berlin—I was at one of the early meetings where somebody said, "Oh, I've got an idea. We'll do the opposite of what the Chinese did to us in the 2000s. We'll invite them, and we'll steal from them, rather than the other way around." And it was like this ripple of recognition in the room of going, "Okay, well, that's a great idea. Could the government actually do that? Could we set up a JV and invite a Chinese firm, and then we'll appropriate their technology?" We literally watched it happening.

But go back for a second and pause, because this is, I think, something that China's experienced after all—one of the things, so many things it teaches us is that when large-scale development happens, it's obviously a huge human benefit, but it also utterly changes the power balance. Because it constitutes the most powerful nation-state the world has ever seen. China is the most powerful single nation-state the world has ever seen.

Now, imagine—there won't be another like it. I don't think it's plausible to imagine India emerging in the same way. But then imagine, for a sake of argument, that that project you've just outlined works in Africa. We would then be facing a world of multipolarity, the likes of which we have never seen before.

Imagine, 20 years from now, a successfully developed Nigeria, a successfully developed Ethiopia. Even if the Nigerians got to Turkish levels of GDP, it would completely transform the politics of West Africa in a staggering way. Because that's going to be a 350-million-people state. In the sustainable development idyll or under the auspices of major political power, that's not just humanitarian benefit—fewer babies die, fewer mothers die in childbirth, Nigeria steps forward. In a world without that hegemonic envelope, who knows what Nigeria does next with the power that will be conferred on Nigeria by that development? We genuinely don't know.

And so, to my mind, unless we think that project to its logical conclusion, we're not beginning to encompass the world that we're getting to. Part of it is relativities, and that's quite a high standard—catching up is really hard to do. But in terms of becoming a significant global player, it's thresholds that matter most. It's about whether you get to drone competence right now. And to get to drone competence, you don't need to converge with the United States. You need to cross a threshold of like \$5,000 PPP and all of a sudden, you can begin to do really regionally significant stuff.

This is why we need to go back to Sunnylands, we need to go back to a new model of great power relations, we need to actually be thinking through some kind of comprehensive model of global geopolitics.

Henry Huiyao Wang: I agree. Basically, now you see from the trade war we are having now with the US, it's totally different from the first term, because China

has more experience now. Trump is more flexible, and they've been reaching agreements in Geneva and London, and things are starting to smooth out. And we are now talking about how Trump may come to China sometime.

But what I think is, with a multipolar world coming, what is the common denominator for everybody to focus on? The climate threat is still probably going to be the bigger politics. And in that sense, China and the EU have a common understanding. Trump may have a different view, but he's only there for three and a half years, and then we may have another one who has a better understanding coming up. So, if they have a common focus on this green transition, and China is leading on that, there could be a way of peaceful coexistence somehow.

Of course, COP30 is one of them, but we could have more mechanisms than that. Europe can conduct studies on that. For example, could we have a green BRI? Or a digital BRI in addition to a green BRI? Green BRI would mean that 150 countries would sign MOUs with China to green them first, and then the world benefits from that. And then gradually, we'll see cheaper, more productive models.

I was in Brussels last week and I heard a story that Geely has teamed up with Volvo to manufacture EV cars in Belgium. And believe it or not, they were telling me that the cost of making an EV car in Belgium now is comparable to China or even cheaper. So that's without any subsidy from China. It's made in Belgium. Maybe it's because of automation or technology. That's very interesting.

So if we can have this win-win Joint Venture approach back into Europe or sometimes in the US, as I recently wrote in an op-ed, China invests everywhere, provides local opportunities and benefits. That could be a solution to the trade war or something in the long run.

So what do you think about this—starting with developing countries, the Global South, and then the spillover to middle powers, and of course, to Western countries? And then, if we use this green as a more moderate, softer approach, this is really a common threat we have to face. So the multipolar world needs something to glue on to hang on.

Adam Tooze: I would take up two elements of that. One is that, speaking to, say, Indian colleagues who are part of this dialogue that we do through Böll—it's one of the most valuable things that I gained from talking to them—is they say: forget climate. For the poor developing countries—and India, in large part, as anyone who's been there knows, is still a very poor developing country, with hundreds of millions of people—it's all about the green energy transition. That is a story you can sell. So that is a common denominator.

What people want is energy, and they want it now. Climate is a problem over decades. It will affect certain parts. It's affecting us now, but it's not affecting us as acutely as not having power. Not having power is the absolute priority. And having green and clean power that doesn't pollute, doesn't give your kids asthma, isn't coal, is a true universal. And that is something, I think, to structurally organize around.

So, at that level, yes. The problem is the manufacturing side of the story. And

I really do think that this is another one of these adjustments that Chinese policy thinking is forced to go through because of the historic nature of the change. I mean, we have moved over the period of the last 20 years from “China Shock One” to “China Shock Two,” from a world in which China could compete on low cost with relatively low productivity and low sophistication in many key areas of manufacturing, and kicked off development that way. We’re now in a world where China essentially has dominance in the economic sense. In other words, it’s better in every way in a huge swath of mid to high-tech manufacturing. Forget the low end, which it already totally dominates. Its share of global manufacturing has rocketed to a third. This is an utter, utter transformation.

And I do think that this poses really deep questions of adjustment for China’s positioning in the world, because that dominance—and it is dominance—of so many areas of production, very high quality, very high flexibility, and integration across the entire supply chain, and reasonable cost, means that it’s difficult for other people to imagine their economic future.

Now, the economist has an answer to this, and it’s called comparative advantage, which says that even if China is better at absolutely everything, that doesn’t mean that it should entirely dominate trade because there are still spaces for other people to produce into. Bangladesh in garments, for instance. Doesn’t make sense for Chinese labour necessarily to specialize in that.

And this is where I would then connect with—I’m going to channel Michael Pettis here or Brad Setser and bring the macroeconomics back, which is that China can make its dominance of the higher end of manufacturing less terrifying for the rest of the world if it becomes a bigger buyer of other people’s manufactured goods. Right now, China is, if you’re Brazil, a wonderful customer for Brazilian raw materials. But it is not a customer of Brazilian-manufactured goods. That, I think, is a major issue.

And if you think about, say, the British model of hegemony before 1914, it relied incredibly heavily on import power. China doesn’t deploy its import power anywhere near as far as it might.

Subsidizing the World

Henry Huiyao Wang: China is accused many times of subsidizing and doing a lot of things—I remember one year I was at the Munich Security Conference, and a colleague from the German Council on Foreign Relations was saying, “Look, if China can give the world cheap solar panels and high-quality products, let it be. Let China subsidize the world.”

As you said, if China is not buying enough, maybe China can really provide good products for the rest of the world, and in a way, to Africa, to those developing countries. So maybe that is the way to address some of those imbalances.

Adam Tooze: I mean, the problem with that logic is who paid for the very cheap

photovoltaic panels in China? The Chinese tax base. All of you in this room paid for them fractionally by having a lower standard of living and not enjoying the full benefits of the economic prosperity.

And so the full rebalancing story is, in fact, to redress that imbalance, to refocus Chinese economic growth around consumption and human services, to centre China on the new problems of economic growth, which are beyond new energy and micro tech. They're about the human. They're about human services. They're about welfare. They're about the demographic crisis. They're about childcare. They're about the possibilities of social reproduction in China as it becomes affluent.

China has demonstrated to the world that it can do manufacturing. It can do heavy infrastructure. The question is: Can it create a policy framework for a more balanced socio-economic system?

Henry Huiyao Wang: I would think maybe in the long run, China has to do more technology transfer in terms of green technology because it does have to find a way through competition. For example, there were several hundred EV car producers in China. Through fierce competition, there are now a few dozen left.

But I think that we are now finishing the 14th Five-Year Plan, and we're getting the new Five-Year Plan starting from next year. When President Xi said at the UN a few years ago that China was going to peak its carbon emissions, it was not "by" 2030, it was "before" 2030. Carbon neutrality is going to happen before 2060. So "before" could be a few years ahead. For example, 10 or 15 years ago, Beijing was heavily polluted, but the mayor told me that the reason for that was 60% of the pollution came from automobiles. Now you go to Beijing, Guangzhou, Shenzhen, or Shanghai, over half of the automobiles are EVs.

So I think that kind of benefit could be spread around the world. When one locomotive was invented, that revolutionized the world. When Thomas Edison invented electricity, it revolutionized the world. But what about this EV? China's green power revolution could benefit the world. I agree with you that we need to find an acceptable, more mutually beneficial way of doing that. And I think we're still in that process. But I'm very pleased that you spearhead this kind of research on green transition. That, in this new industrial age, is really relevant.

Q&A Session

Zhiyuan Cui: Today's Financial Times has a report that, this November, Brazil will hold COP30 in Brazil, but one of the key challenges President Lula has to deal with is that some scientists now publish and emphasize that the 1.5-degree target has already been surpassed now.

I think this cuts both ways. Because on one hand, we're seeing this urgency of the climate crisis, but on the other hand, this challenge is maybe the right-wing climate change deniers will use this to say, "You actually, from the very beginning, exaggerated the crisis. Because now, we've already surpassed 1.5°C,

and we are still, it seems, basically okay.”

So this is in connection with the recent debate about whether or not total reliance on wind and solar in Spain and Portugal caused the recent crisis, and there's debate whether this is really the cause. But you can see, my question is about: What do you think about these new problems in climate politics?

Adam Tooze: Those are indeed very pressing questions. I like the way that you frame them. It is undoubtedly true that 1.5°C was always a political [threshold]. Global climate politics is a weird, theatrical creature. It's kept alive almost by suspension of disbelief. Like I was saying earlier on, the problem was identified decades before we had any remotely feasible solutions, and we still don't really have a viable roadmap at the global level.

Nevertheless, at Paris in 2015, it seemed crucial to anchor at 1.5°C. And this has to do with the logic of global climate politics, which is that it's UN General Assembly-driven. And in the UN General Assembly, the small island states, which are a tiny fraction of humanity, but are really, I think, about a quarter of all members of the United Nations General Assembly, have a very large voice.

And in that voice—it depends on how you look at it—either a totally unreasonable imbalance: Why should a monolith like China or India care about 100,000 people living on a Polynesian island? Like, that's one block of Beijing. Why should China care? And on the other hand, out of that voice speaks the principle of sovereignty, the principle of human diversity, autonomy, which the United Nations General Assembly is designed to represent and to respect. And it's a really fundamental tension that sits within climate policy. The 1.5 degrees was agreed on to enable some kind of agreement on a deal because if we had agreed to a more “reasonable” target of 2 or 2.5, from the point of view of those states, we're basically signing a death warrant for them.

And we are still negotiating. I think we're going to go through a prolonged process. This goes back to this point about it's too early to tell. Some of us are so old that we are not going to see very much of this process, but over the next quarter century to 75 years, we are going to see a creeping, progressive adjustment of the entire planet to a warming, which, I think, reasonably, we now have to expect is going to be 2.5 degrees at least. We'll be lucky if we stabilize short of 3. And we don't know what the consequences of that are, but it's going to be disruptive. And this is a moment in that process.

Rob Gillespie: I wanted to go back to the first kind of quadrant you showed, the kind of high growth, high energy.

Four Types of Transition Challenge

Adam Tooze: So the first quadrant is high energy, low growth.

Rob Gillespie: Sorry, it's just that quadrant in general. Is it possible for any of

those groups to move between different quadrants? Or are we saying for kind of path dependency reasons, everyone’s kind of locked into those groups? Or,

	Low Growth	High Growth
High per-capita energy consumption	G7: US, Europe, Japan	China
Low per-capita energy consumption	Sub-Saharan Africa	India

as Henry mentions, could outward investment solve some of this problem, and could China share some of this growth with the rest of the world, be that the EU or actually helping with the sub-Saharan African problem of low growth?

Adam Tooze: Oh no, absolutely. The aim of that grid is not to fix places. It is to widen our perspective on the current snapshot of what the energy transition problem looks like. So the aim of the game is to get us out of our G8 thinking, and to understand that there are four other problems out there. And it comes actually out of the lived experience of engaging in these dialogues through Heinrich Böll with colleagues all over the world.

And people in India just laugh at you when you talk about energy transition. They’re not transitioning anything. They don’t want to shut a single coal-fired power station because their per capita energy consumption is a fraction of ours. And so forget it—like, they will reduce their coal-fired power stations when they have enough electricity for people to have more than a light bulb.

And people in Mali shouldn’t be talking about this at all. And there’s something absurd about the EU sanctioning or refusing to provide development assistance for African countries that want to have gas power plants, right? Because they’re not going to go down the terrible path we’re going down, for which we desperately need gas. It’s a grotesque misunderstanding of the relative balance.

And so, absolutely, of course, countries can transition. China popped from here to there and it literally happened in our lifetimes. It’s still quite difficult to convince people that China’s per capita energy consumption now is larger than that of almost everyone in the EU. China is up there with Poland and Germany because it’s coal. It’s the coal that does the CO₂ damage.

So yes, countries flip around, and the project should presumably be to have everyone in the high energy per-capita consumption, low emissions box. But we’re going to get there—and this is the other point I guess I’m making—we’re going to get there on different trajectories.

The Indian case is, you know, down here. They’re going to bump. They get it like this. The African case—there’s really no emissions growth at all. This two-by-two is really just an expansion of that graph into two extra dimensions, and it’s not fixed. The aim of policy should indeed be to move people around. That is what a commitment to net-zero convergence means.

Edmund Downie: I was curious about your sort of petrolstate–electrostate split, and I wonder how to think about that in the context of developing economies. I think particularly of your Pakistan example. It seems like there are ways in which it's kind of straddling the two, not because of how it's engaging with the solar transition, because it's almost importing entirely, not as part of a centralised system, but to replace a centralised system that doesn't work at all.

And I've just come from Vietnam, doing field work there on their solar and wind deployment strategies, and there's a similar story in which the distributed framework is much more effective currently than the centralised procurement framework, because of the challenges to the grid in keeping up.

So, it seems like it sort of sets up an intermediate state. I guess my question for you is: Is that kind of intermediate state of hunter-gatherer using distributed power one that is a stable one for kind of long-term development, or is that one that only exists at a stage, like it cannot fundamentally support the high-growth manufacturing path that's required for long-term development?

Adam Tooze: I think this is a really fascinating question. It expands the argument in a very good way. I mean, you know, when you say, how does Pakistan fit into this model of either fossil-state or an electrostate? One's tempted, flippantly, perhaps cynically, to say, what the Pakistani state? The fundamental problem in Pakistan is state formation. And that brings us to a much more fundamental point beyond the flippancy, which is that it points to the fact that energy systems are profoundly politically embedded projects, right? I mean, what did Lenin say? "Communism is Soviets plus electrification."

The Chinese state grid is not just an electric provision system. It's building the Chinese state. Because, as we all know, China in the 1980s was a giant colossus. There is the Communist Party, but the integration of the regions of China, given the lack of infrastructure, is really tenuous. One of the great stories of China over the last 40 years is the creation of a national market. It's a little bit like the United States in the 19th century, with railways, with telegraph. In China, since the 1980s, through migration, through urbanisation, through the state grid, you all of a sudden have a system where the Western power producers are linked to the coastal regions. You've created a state structure.

And so just to go back to your question. To my mind—and in the US right now—the problem of policymaking is also about the fundamental decomposition of the US state apparatus as a state apparatus. That's the radical level that we're reaching at this point. How far do tiny sectional interests dictate policy? Jesse Jenkins is your colleague at Princeton. If you've been following him on Twitter, you know the heartbreak. A large part of the American technocratic establishment is really in an almost suicidal mood this week because Congress is dismantling a state-building project. It was about building the apparatus so that America could rethink how political power operated in a green way.

I don't think there's a simple answer here, but the point I'm making is the same answer I gave to your point about hooking Africa up to Europe, is that these

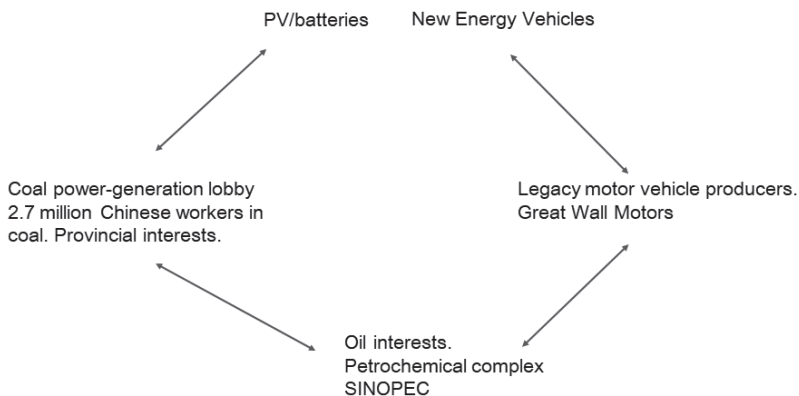
projects of powering up with different types of power all imply political projects. And at their grandest, when you're dealing with huge distribution networks, you are literally mapping the boundaries of territorial states or regional governments.

And in a place like Pakistan, that's going to be hugely fragmented because the state apparatus operates so poorly. And there could indeed be counterproductive eddies. And I believe this is the fear in Pakistan, where the private provision breaks the economics of the public grid, which is already broken, and the system spirals downwards into essentially full privatisation, which is hugely unequal because the Pakistani middle class can afford this, and the Pakistani population can't.

Same logics in South Africa, right? You inherit from apartheid a hugely centralised coal-based system. Then the ANC promises electrification to the townships, and then the system breaks because the coal-fired plants are being increasingly dominated by various types of gang warfare and lack of investment. And then you say, okay, we could open this up to Chinese photovoltaics. And there's a huge resistance from within the ANC apparatus because the coal miners' union, the electric power apparatus, wants to resist an essentially privatised solution, which would give advantage to the oligarchs and the white upper-middle class—again, right?

China's New Energy Revolution and Its Challenge

This is why I also ended with that final challenging slide about China. Because we will really know how this Chinese story enters its second chapter when we move from radical growth, markets for everyone, green and coal side by side, to decarbonisation sooner than 2060. Because that is going to require incredibly tough decisions like this within China. And it's going to be the destiny of the



great coal-producing states. What is their future if China is going to migrate as quickly as it needs to away from [coal production]? What is the future of Inner Mongolia or Shanxi province when they're no longer the hub of massive coal production? Where do those people go?

China has done this before in the late 1990s with its heavy industrial shakeout. We know what tensions that accompanied it and that the legacy it left in Chinese popular memory is that of breaking the iron rice bowl. That's what's on the horizon here. And it's a huge political challenge for China as well. And it's about state formation. What kind of state are you? How do you manage this? How do you manage the trade-offs? Can you do a just transition? Can the Party, in the Chinese case, mediate this somehow so as to hold this together? How do the ministries square off against each other? So as an outsider, I try to talk to as many NGO people as I can—it's very difficult to understand how those forces will play out in Beijing and between Beijing and the major provincial power centers.

Henry Huiyao Wang: Maybe I'll just add a brief thought on Pakistan and similar countries. I think China's success in infrastructure and the green energy transition in general rests on a unique trilateral model of roughly 60% private sector, 20% state-owned enterprises (SOEs), and 20% multinationals. That has made China very different. And I think countries like Pakistan or South Africa could benefit from that. That kind of hybrid JV model combining SOEs may be a solution to these countries, rather than just the SOEs.

China has built 70% of the global high-speed rail network and 4.5 million 5G stations, compared to 150,000 in the United States and 400,000 in Europe. Eventually, people will find that there are certain benefits to China's development methodology.

I also see a lot of emphasis globally on state governance. SOEs have been reinstated in many countries. Particularly for big projects, you probably need a state-enabled approach rather than the private, profit-driven approach. Someday, this may be applied to the economy on the green transition.

Adam, thank you for coming all the way here to have such a meaningful dialogue.

The Ethical Foundations and Global Governance of AI Development

A Dialogue with Gabriela Ramos

Henry Huiyao Wang and Gabriela Ramos

The incredible progress that has been made in technology in recent decades has left the world, and regulators in shock, struggling to keep up with new life-changing advances in a whole range of areas. This is perhaps most represented by artificial intelligence, which has both the great potential to benefit mankind, but has also raised concerns in political, economic and especially ethical areas. Different positions and approaches on how to regulate AI both a local and global level.

In this dialogue, CCG President Dr. Henry Huiyao Wang and Madam Gabriela Ramos discuss the impact of AI and its governance, which is closely related to our current life and that of various countries around the world.



Henry Huiyao Wang in dialogue with Gabriela Ramos at CCG's Beijing office

A Mexican economist and diplomat, Gabriela Ramos began her public-policy career in Mexico's foreign service before moving to the OECD, where she rose to become Chief of Staff to the Secretary-General and the Organisation's G20/G7 Sherpa (2008–2020). In 2020, Ramos was appointed Assistant Director-General for Social and Human Sciences. From this platform, she coordinated the drafting and unanimous adoption of the 2021 Recommendation on the Ethics of Artificial Intelligence—the first global normative instrument on AI. In March 2025, the Government of Mexico formally entered Ramos as its candidate for the UNESCO 2025–2029 Director-General position, making Ramos the first Latin-American woman in nearly two decades to seek the Organisation's top post.

They also engaged in live Q&A with Linghan Zhang, Professor at the Institute of Data Law, China University of Political Science and Law; Yi Zeng, Professor at the Institute of Automation of the Chinese Academy of Sciences and at the University of Chinese Academy of Sciences, who also served on the Ad-Hoc Expert Group that drafted the UNESCO's Recommendation on the Ethics of Artificial Intelligence; and a journalist from CGTN.

Leadership and Best Practices

Henry Huiyao Wang: Madam Gabriela Ramos, I know you have been with the OECD for almost 20 years, and have also served as the Chief of Staff, G20 Sherpa. Also, you mentioned many things achieved at the OECD, like the global minimum tax proposal, right? That was really a very, very important initiative. And then for the last several years, you have been at UNESCO, looking after many areas, but also pioneering this ethical foundation for global governance on AI. So those really need a lot of vision and a lot of, as you mentioned, implementing leadership by the implementing power.

So, probably from your experience for the last two or three decades on global institutions, what are your thoughts on how we can really achieve better governance in a multilateral system? How are you managing different countries' perspectives, and how do you really incentivise and work with them and with member countries, but also push the agenda forward? So you must have a lot of experience, ideas, and thoughts to share with us. That will be my first question: how can the global governance and multilateral innovation that you've engaged in for the last several decades really benefit the future development of global governance and the multilateral system?

Gabriela Ramos: Thank you so much for that question, because it's true there you have Arancha González, who was my partner. She was a WTO Sherpa, and I was an OECD Sherpa. And she told me something that is very interesting. She said the institution lives the life of those that inhabit them. So it's the quality of the leadership of the institutions, the quality of the engagement with member states, the quality of the relationship. It is the trust. And at the end, it is about people.

It's so interesting because we can think about grandiose schemes and infrastructure, and it's about people. It's about having the good representative around the table who will understand the challenge, who will be committed to finding the solutions together, and who will be subject to the consensus rule, which sometimes is difficult for big powers because, in the consensus rule, you never get 100% of what you want. You will always get 80% or 70% or 60%, and therefore, I feel it's very important to have this quality of the environment. And you have the quality of that environment when you have trust and when you feel that going through the multilateral setting will deliver better than just going by yourself.

And I have been lucky, I might say, that I have—or probably it is also due to the work of my teams, myself, and the leaders that I work with—environments when things are possible. We saw it first and foremost: What happened with this recommendation? How did it happen? Because, for me, it's a best practice, and we should always learn from best practices.

First, there was a strong leader. I was very strong. I was pushing. But then you have this group of experts that gave a lot of trust because countries felt in the way the thing was done that we have representatives from all the regions of the world. It would have been different if we came together and said, "Okay, guys, I asked my friend who is in the north now working on these issues to produce a document. This is it. Please discuss it." It would have created a reaction. But because we did it in an inclusive manner, bringing people together. I mean, the chair of the group was a South African lady, and then we have China, we have the US, we have Africa, we have everybody together. It gave trust. But then you also need skillful leadership. And I think this is very important, because what I'm seeing in my campaign trail for the Director-General, decisions about heading international institutions are not always taken by merit.

And I know—I mean, I was not born yesterday. I know that there are bilateral considerations, there are geopolitical issues, there are questions of exchanges: support me here, I support you there. But it would be very important because the times I have seen when the leadership is strong are also because it's the most capable leadership.

In my time at the OECD and then in the Social and Human Sciences Sector, it is very important that we do not—as I always said with the multilateral system—throw the baby out with the bathwater, because at the end it is what we put there. And when members or leaders criticise multilateralism, it should also be self-criticism, because you get what you put and you get how much you engage.

And I feel this is very important. You can have the setting for a good engagement and good outcomes, but if somebody doesn't want to engage, then it becomes very difficult. What I have proposed now, because the world is so polarised and so fractured in so many ways—and as I said, not all the main powers want to engage in multilateralism—maybe for the time being, we will need to go for, how do you call it, differentiated geometry, in which those actors that really want to push hard will just run with the ball, and then we deliver.

And finally, lots of agility needs to be embedded in the system. International

institutions need to be reformed every time. It needs to be a state of mind because things change. And many times, you are full of rules, and it becomes so ineffective that just to deliver on something becomes impossible. So, I think these are the elements that I see.

Henry Huiyao Wang: That is very interesting. I think you mentioned working with people; that's very important for international organisation leaders, that you engage with different countries and different cultures.

I know that you speak Spanish, French, and English, and you are a Harvard graduate, but most importantly, I think, while working at the OECD, you had a first-hand experience of seeing how engaging with different countries works—and now at UNESCO, with even more members. So that kind of engagement capability with the people and with the country becomes so important. And second, I agree with you on the reform—we just can't really stand still; we have to go forward and innovate and push things forward, particularly in today's very complex environment.

Development, Governance and AI

Henry Huiyao Wang: My second question would be: How did you come up with these ethical studies, research, and policy arena of AI? As we all know, AI is developing rapidly, it's also a competition among many countries, and it's also very uncertain. There's a risk, there's a closed system; now there's an open system, and then you can see really fierce competition among major countries.

But, of course, in modern geopolitical conflicts, we see AI deployed—it's drones, you see AI operations everywhere. So in the future, there will also be many issues: ethical, and then safety, risk, and privacy—many, many things. So, how did you come about on this issue, and as an international organisation at the UN, to really look at those across the board—safety, ethical, global standards? We need a global governance initiative on that. So, we'd like to know where that vision comes from and how that really has impacted the development of the AI arena in the world.

Gabriela Ramos: You're completely framing this in a very nice way because at the end, it always seems that we are in a catch-up game. We finally understood the way the black box was producing something, and suddenly the whole foundation of how the models were developing changed.

We were thinking about ensuring quality data to avoid discrimination or to avoid the system or the whole model being wrongly built, and suddenly you have synthetic data, or suddenly you're scraping the web. And therefore, what kind of conversation are we having about data if you are scraping the web? Then we started to talk about sources, and there was no quoting of the sources. Now there's some quoting of the sources, but the quality of sources? If you go in trying to understand the technologies, there is always the catching up, because

it's very complex, and not all of us are experts on technology.

But that's why we need to broaden the discussion, to put back the sense of agency in those who need to deliver for people. And in that sense, the best way I found to do that is to think about the outcomes and the impact of the technology. Because in that way, you are not trying to just define every single typology of what can go wrong, because I feel that's very, very difficult. Of course, there are institutions that are doing it, and it's good because then we learn. These institutes that were established by the US or the UK or Japan—China has many experts doing it—to try to understand where things can go wrong and to put the systems into test to ensure that we know how to control the downside risks, which is fine.

But for me, it's easier to think: okay, if I use an algorithm, as the Netherlands did, to help me administer better all the social welfare system and to avoid abuse, and then I develop my algorithm, and it's fine. I mean, there's proprietary coding, that's fine. But then I get to see that thousands of migrants are being affected negatively. Then we say, excuse me, something is wrong with the model if you are just targeting migrants and cutting off their benefits. And it happens that it was biased, it happens that it was an overrepresentation of migrants as abusive.

Then, in that very moment, you need to be able to ensure accountability. And this is my concern. My concern is not the technology. My concern is the protection system that the rule of law has provided for us offline to be applicable online. It's not that easy, because at the end, and more with generative AI and with open source, you have all these models that are accessible to everybody. And then you use one model, and you develop another model, and then if something goes wrong, to allocate responsibility is not as straightforward as it looks.

But at the end, these are the breaking points. The breaking point is the accountability of the systems and the possibility that you need to have. And the Recommendation included that, which I think was bright, because it said, no, I don't need to be chasing all the coding, and I don't need to be chasing all the algorithms. On the contrary, there are thousands that are producing magnificent outcomes everywhere. I don't need to know. But if something goes wrong, I need to be able to establish a liability system that will help me redress the situation and compensate those who have been affected. If you organise the thinking in that way, of course, you will need to be advised by people who understand the coding and the technologies. But at the end, it's more structured in a way that we can address it, not in a very complex manner.

UNESCO as a Driver of Cultural Education

Henry Huiyao Wang: UNESCO is about culture, education, civilisation, and all those soft powers, referring to Harvard Professor Joseph Nye, who just passed away, as you are also a Harvard alumna.

What I would like to know is that, as a strong candidate for UNESCO's future DG, what's your vision for the future of UNESCO? And now we are in a more

hard-power-filled world, and also with AI. But what about those soft powers—civilisation, education, culture, talents, all those things?

So I think we need to really use the softer power to balance the hard power. There's too much hard power these days; everybody's driving up a military budget. But let's really come back to the basics of the soft power—using culture, empathy, sympathy, and also, you know, those more people-to-people exchanges: student, tourism, historical sites and heritage sites, and all those things that UNESCO is doing—that we can push the world to be a more safe place to live.

Gabriela Ramos: I would say that it's the safe place to push for multilateralism, which is very interesting because I was at some point, as Sherpa of the OECD, in charge of tracking trade measures, in charge of tracking the financial crisis and the financial system meltdown, and the financial reform and the tax reform. I'm very happy I'm not now because it was tough enough.

I feel that this is the time exactly to enhance the impact of UNESCO, because UNESCO proposed exactly what you say: another way of connecting humanity in a shared vision. Because culture, education, science bring us the definition of what it means to be human. And it's not trade, it's not exchanges, it's not the maximisation of profit or revenues. It's exchanging who we are, where do we come from, where is our history, where is our memory, where is our common future.

What makes us the same as humans? Creativity, learning, exchanging. And I feel these are very powerful tools, as you say, if we deploy them in the right way. Because again, as I said in the beginning, it's all about humans around the table really sharing the urgency of delivering for good. It's the same in other areas.

And so what I want to do is to have UNESCO doing a quantum leap of the kind of services it has provided in the last years. First, to continue building the question of the technological transition and doing it in a really much more human values-based way, because that's going to divide us more, or it's going to bring us together more. No doubt about this impact, because technology is redefining the whole societal engagement and economic activities and everything.

But then education. But stepping back: education for what? For the past decades, education has been the platform that will equip young people to get a job, to be competitive, and to have individual success. No. I think we need to go back to education for citizenship, for peace, for critical thinking.

And it's very interesting because these tools that are important for society living together are also the tools that will help us master technology. Because this critical thinking, this consciousness of what is the impact, the outcomes—it's very important.

So, education—quality education—but broader in the sense of what kind of humans we want, which is not only the *Homo economicus*. Fine to register the heritage sites, but I would love to have more investments in culture, to bring culture to life, to take it out of the museums, and to engage people with creativity. Because sometimes, when I came to China in the G20, every time the Sherpas would organise a huge presentation of the music, of the dances of the different

regions in China—my God, you feel Chinese. You’re sitting there, you’re looking at that, and you’re like, that looks very Mexican in certain ways or not.

I think that we need to bring culture more into our development. And this is what I call the inclusive part of my programme, because my programme is inclusiveness, innovation, and impact. The second part, the innovation, is to really, really take advantage of the quantum leap that scientific endeavours are having for some countries to benefit everybody and to ensure that we have open science, and that we protect scientists, and that we protect freedom of speech. Because the problem is that we’re having this mounting populism, dogmatism, ideology, digital platforms that are not helping, misinformation. And I think that freedom of speech and thought is very important. And by the way, we just got the Ethics of Neurotechnology Recommendation approved, so I’m very happy. And then the final point is: impact, impact, impact. So, inclusion, inclusiveness, innovation, and impact—that’s my proposal for UNESCO of the future.

Q&A Session

Linghan Zhang: I’m very happy to be here, because during our work in the UN High-Level Advisory Body on AI, we have sought out all the very influential AI global initiatives. We noticed that the earliest of these was the OECD AI Principles, followed by UNESCO’s Recommendation on the Ethics of Artificial Intelligence. This is the first time I knew it was all initiated by you.

My question is about UNESCO’s future. I wish you good luck in your run for the DG position, and I really like your slogan: inclusiveness, innovation, and impact. As you mentioned at the beginning of your speech, UNESCO is famous for World Heritage and pushing civilisation and culture, but not that famous for science. But you have done such a great job on global AI governance, just like I mentioned, with the OECD and UNESCO ethical code.

So, my question is: if you were to become DG, how would you like to enhance the impact of UNESCO on science? You have done such a great job leading UNESCO and exerted such a great impact on global AI governance. Maybe in the future, the science part and global AI governance part would be a very important part of UNESCO’s future vision. So I would like to know: what do you plan to do?

Gabriela Ramos: I love your work for the advisory board, and I love it more because you quoted UNESCO. You did an amazing job with those two reports, and also the contribution that you made to the Global Digital Compact.

I think that on science, first and foremost, international organisations can help to set up the agenda. I think that science is not as visible as it should be, and scientific cooperation is just somewhere down the road. We do it sometimes. It’s time for us to call countries accountable for their science ecosystem, for the investments in science and for the protection of scientists.

But also, it would be an amazing moment for UNESCO to launch scientific

missions. It's been a long time since we did something of the sort, but when we did that, we established the CERN, which is this accelerator of particles in Switzerland. That was a huge joint collaboration.

Why don't we launch scientific missions to discuss certain issues? Let me propose just some of these issues that I've actually been discussing in the ethics work, because I have this committee of experts on ethics of science and technology and the International Bioethics Committee.

One of the things is the capacity that we have to modify the climate, the environment. Technologically, now that's possible, and some institutions, particularly in the US, are looking at the way. If you remember when Iceland got this volcano erupting, and then it covered the whole world with the particles that prevented the worst solar rays from coming in. And then it gave these ideas to scientific people to say, Oh, we can do that? And if we do that, maybe we have another possibility to control climate change.

First, it feels like very scary. It's possible, but it's scary. Second, what if we get it wrong and we freeze the world? Third, who's going to decide when should we use it or not? Those that can do it—there are three people in the world. How do we ensure that we organise an inclusive conversation on these issues? And that's where UNESCO needs to be present, as we did with the ethics of neurotechnology—to think on very important scientific trends and discoveries that should not be the matter of the people that have the capacity to do it, but that should be inclusive because it will affect all of us.

And the other part is to call the attention that, because of the way the science ecosystem internationally is organised, it's very difficult for some institutions in the Global South to be better represented due to the requirements and the issues. And so now you have 80% of the scientific outputs being just produced by the G20. And if you restrict the issues, it will be only again China, the US, the UK. This is lacking the diversity that we need of knowledge, of understanding, of vision, of ideas, of ambition of the Global South.

Therefore, I think that there is a very important role that UNESCO should play in bringing all knowledge to the table to try to learn from each other. And one of the angles, for example, that has been always commented on, but never structured in a very good way, is indigenous knowledge on so many things. How do we codify that? How do we bring it together?

There's a full scope of issues that UNESCO should be working on, and I don't mean to duplicate the work of other institutions. The OECD is producing the most incredible outlooks on science. That's perfect. We are producing an amazing report every year on women in science. That's our leading thing. Let's cooperate among each other.

And then the other part is, how do we bring notions and publications that will change the way we think about things? I was enjoying my time in the Social and Human Sciences Sector because I would bring thought leaders who would propose the most incredible things that you wouldn't even think.

We brought, for example, Hartmut Rosa, who is a philosopher, to deliver his speech on the new social energy. I have never, ever talked to a philosopher that

way. I don't even know if all the auditorium understood what he was saying. Let's try to challenge ourselves in our knowledge, and I think UNESCO can really provide that platform to do it.

Yi Zeng: I don't really have a question, I would just like to show my support and to review some of our collaborations, which I think are not only beneficial to myself, but also show what actually can be done by having a platform as UNESCO.

I wanted to review a little bit about how we actually started the exploration of UNESCO's Recommendation on the Ethics of Artificial Intelligence. It started as a fight between me and Professor Emma Ruttkamp-Bloem, which is truly interesting. The Secretariat wanted to initiate the discussion, and then they wanted me and Professor Emma Ruttkamp to co-lead the basic fundamental values of ethics.

So we mailed each other. We never got any reply from each other, maybe because of our internet connections, email trash, or whatever, but we never got any reply. And then I started doing some surveys with people who were in the group. Professor Emma Ruttkamp said, "Hey Yi, how can you actually start a survey without me?" And then Professor Emma Ruttkamp was like, "I don't want to work with this guy." But I was thinking she never replied to my email. Then our mutual colleague from the Ethics Committee said, "So guys, what really happened?" I said, "You never replied to my email," and Emma replied, "Oh gosh, you never replied to my email, and you started everything." So, actually, it all started with misunderstandings.

This is all about the world, which is full of misunderstandings and unintended. We will have to solve this. The Secretariat began exploring solutions by looking at the problem between us two. Then Emma and I co-chaired the working group, working very nicely, and I learned quite a lot from her. The conclusion from the working group, which I like the most, was a focus on the principles of interconnectedness—living peacefully and in a just and interconnected world. This is a proposal from me and Emma all together.

When I proposed "living in harmony among technology and humans," everybody liked it. I remember one of the chiefs of the Secretariat, Dafna [Feinholz] said, "Oh, this might be one of the non-Western values put into the UNESCO documentation," which is perfect, because there are too many Western values, not so much about non-Western values.

And Emma said, "I like it very much. It's not only from China, Korea, and Japan—in general from Asia—but also deeply rooted in South Africa. When you talk about living in harmony, actually in Ubuntu, in South Africa, we've been talking about interconnectedness, we've been talking about individuals and the relationship to a greater whole. So we feel that it would be much, much better to add the value of interconnectedness together with living in harmony and peacefully."

I also remember last year, when we had the UNESCO Global Forum on the Ethics of Artificial Intelligence 2024 to establish the AI Ethics Experts Without

Borders network, Gabriela had two candidates working with her, so she selected one boy and one girl. I was the boy and Emma was the girl. Now we're very close friends. Now, I always get emails from Emma about international events, asking me if I will attend and if I say I yes, she will participate. Last year, when I invited Emma to the World Internet Conference, a China-based international organisation, to actually participate in our AI safety and ethics programme, she was given too much work and said, "I quit. I can't take this."

And then I emailed Emma saying, "Can you stay with the team, just to support me? I won't give you work. It's all about your choice." Emma said, "I'm only staying for you. This is the only reason I'd show my support." Starting off fighting with each other, we've actually started to support each other and then to actually came to the conclusion of living in harmony and an interconnected world.

This was something that I learned from the UNESCO training. Emma once told me, "Yi, although we're very different, I still wanted to collaborate with you." But I asked, "Can we just stop that 'although we're very different' stuff, why do you think that we're very different?" She said, "Because I'm from Africa, you're from China. We have very different cultures."

It's true that when you apply for UNESCO World Heritage, you have to show the uniqueness of your cultural heritage or you won't be included. But I challenged the system by saying, "Can we also talk about the commonalities?" Of course, each World Heritage program is different and unique, but it's also human culture with fundamental human values and cultures that bind us all together. So, for UNESCO's Recommendation on the Ethics of Artificial Intelligence, we're recommending not only using AI to do World Heritage and cultural heritage, but also using it o promote cultural interactions.

Last but not least, I wanted to show my support by saying that, for the future of UNESCO and the relationship between UNESCO and China, China needs to establish a more effective framework to collaborate with UNESCO. Now the contact point is at the Ministry of Education, but I would propose that we need a stronger institution to weave a network of collaborative ministries, let's say, by the Ministry of Foreign Affairs working together with the Ministry of Education, the Ministry of Science and Technology, and the Ministry of Industry and Information Technology, because UNESCO works for education, science, and culture. Now, the Ministry of Education mostly works for education. I would propose that a better coordination mechanism from China could ensure stronger support for the UNESCO vision, so that many of the practices and actions from UNESCO can be grounded in this reality.

I'm going to finish by saying that I was asked by the Secretariat if I had any recommendations for the candidates for the ethics of neuroscience. I said, "Find a neuroscientist that is also very politically powerful so that they can help ensure implementation." I have just been exploring the ethics of AI training and I know that I need to be more powerful to do the implementation. I think they adopted my recommendation to invite Professor Qingming Luo, who is the President of the University of Hainan and a top-tiered neuroscientist in AI.

I think the Chinese government should give more support for the implementation of the Recommendation on the Ethics of Artificial Intelligence as a starting point, but not only that. A practical example would be for China to consider having a stronger institution, a much more effective and collaborative way to not only interact with UNESCO, but to really, as Gabriela said, inform the member states what you should and should not do. I think action-implementation is the key to the future, led by thought leadership from experts organised by UNESCO.

Gabriela Ramos: I think that's a beautiful reflection, because, as I said at the beginning, it's all about people. It's all about people challenging or working together.

CGTN: I have a question for Ms. Ramos. UNESCO's Strategy for the Digital Transformation of Education analyses the needs to prevent AI technology from exacerbating education inequality. In the context of the popularisation of generative AI, how does UNESCO encourage members states to establish a cross-cultural data governance framework?

Gabriela Ramos: If we get the relationship between the technology and the educational systems right, I think that will be a huge success, because, in a smaller scale, it represents the whole of the impact of the AI in our world, in our lives.

But if you nail it down towards the education systems, there are these questions, as you say, first, how do we ensure that this is not only for the lucky few that are connected, who know how to use it, and who then can apply it to enhance their own capacities to learn? This is at an individual level. But then it's the school system—professors, teachers, that might be able to be prepared to use it and to enhance the learning experience of kids or not, because they're completely alien to any technological device.

And this is very interesting because again, the conversation should not be about the technology, because in my perspective, it would be wrong to ban technology in the school, like using generative AI. Why would you just ban it? I would actually frame it in a way that helps the students to perform certain tasks, as long as it's transparent and it is declared and all of these things.

But the fact is that I still remember, at the OECD, we did a report looking at the countries that were introducing more technology in the classroom, and then comparing that to the student outcomes. It seemed that those who were introducing more technology were declining in their performance, because they were talking about the technology. They were not talking about the organisational changes that need to be put in place in the school systems to introduce the technology that they will need to develop for the purpose of that class. Because it's not just to go to the market and use any technology. You need to develop content that is culturally aligned with the classroom. You need to use your own language, for example. You need to even use visuals that are appealing to the kids

of the certain region or country.

And therefore again, it's like when you introduce technologies to businesses. It's not about technology. It's about the changes inside—in the mindset of the leaders of the business, in the capacities of the workers, in the infrastructure that you need to put together.

And therefore, what we say about introducing technologies in education is about reforming education to use the technologies, because at the end you cannot—and this is the case—if you are trying to prepare the kids just to deal with generative, which is already in the past, there will be something else. What we need to teach them is adaptability, anticipation and resilience—all of these elements that will help them to navigate a very rich technological environment without losing sight that what we're doing is to enhance the learning process.

And then, to your point, the final issue—it's not rocket science. If you have schools that are lagging behind, invest more in those schools. If you have countries that are lagging behind, invest more in those countries. It's not rocket science, but sometimes it looks like it's very complicated. We have the guidelines for introducing AI in the classrooms, but it requires training teachers, preparing the school, doing the content, and getting culturally aligned.

Henry Huiyao Wang: Madam Gabriela Ramos, I know you've been here before, but this time in the capacity of Assistant Director-General, and also running for the future position of Director-General of UNESCO, such an important organisation. Thank you for sharing your ideas, your experience, and, of course, your vision for the future of UNESCO, but also all the innovation and leadership work you have done in the past. This is really a great opportunity for all of us to understand better your perspective and your insights. Now, could you give us some final words, please.

Gabriela Ramos: With all of these challenges that we need to confront in terms of technological transition or climate change, or demographic changes, we humans are subject to a lot of transitions at the very same time.

But the fact is that we need new ideas. We need new ways of doing things. We need to detach from common wisdom, which has actually not delivered great success in many areas—on the inequalities front, on the climate front.

And therefore, I feel that this exchange that Yi Zeng had with Emma—the question of interconnectedness, the question of harmony, which Western countries said they didn't like because it's too Chinese. Then they come with something else, which the Southeast Asians don't like that because it's very Western.

But I feel UNESCO, in the future, would have the capacity to really try to bring all this knowledge together in a way that helps us understand how we can build a much better future. I would really rethink the economy because this is where things come from, because individual success is rewarded, because it's competition, because it's maximising my benefits over your benefits, because it's the revenue and the profit—profit-driven technological developments.

And I think that we really need to change incentives, to leverage all of the dimensions that matter for people, but are not very well incorporated into our economic models or our decision-making models.

I was in Iceland with the Wellbeing Economy Forum, and I was really impressed. After Covid, one of the issues that we discovered is that humans are not only workers or consumers or producers. Humans are also people who like to relate to each other, and the way we dealt with Covid—trying to protect the body or protect the economy—dismissed all the spiritual, relational and societal aspects of humanity. This has really caused great pain among our young generation, which has a lot of mental health issues.

At the moment, I think we are where we need to be to find new ways of building society and economies based on something like ethics and philosophy, or even understanding—like the Ubuntu or harmony, which states that we are part of a greater goal, and also that we are a community and not only individuals; also that the community's success might not be the same as individual success. But there are a lot of reflections to be done, and I'm sure that UNESCO has a role to play in that.

Democracy in China, Trump's Planned Tariffs, How the West Misunderstands China, and More

A Dialogue with Ebrahim Osman-Mowafy

Henry Huiyao Wang and Ebrahim Osman-Mowafy

Knowledge is not only found in universities and research institutions. It is also found in exchange and understanding at all levels, from government to individuals. Misunderstandings about China's intentions and the situation on the ground in the country, from democratic processes to economy and China's responses to the Trump administration's tariffs.

In the following interview, CCG President Dr. Henry Huiyao Wang and Ebrahim Osman-Mowafy discuss the uniqueness of the Chinese system, the impact of Trump policies on US-China relations as well as other China-related issues about which the world has imprecise or biased views on, setting the record straight and working to dispel misconceptions.



Henry Huiyao Wang in dialogue with Ebrahim Osman-Mowafy at the Oxford Union

Ebrahim Osman-Mowafy was President of the Oxford Union in Michaelmas Term 2024. He is a Jurisprudence student at St. Edmund Hall, University of Oxford. He comes from Egypt.

The Oxford Union is the world's most prestigious debating society with a tradition of hosting internationally prominent individuals across politics, academia, and popular culture. Founded in 1823 at a time when The University of Oxford restricted students from discussing certain topics, The Union continues to uphold the principle of free speech through the exchange and debate of a wide range of ideas and opinions, presented by a diverse range of speakers – some inspiring, others controversial.

China's Unique Political System

Ebrahim Osman-Mowafy: I wanted to start by asking about the Chinese political system. You wrote an article to the China Daily recently that Chinese Democracy, as you refer to it, is a blend of traditional wisdom and innovation. Given that China does not hold national elections and that it is ruled single-handedly by the Communist Party, how could you describe China as a democracy?

Henry Huiyao Wang: That's a good question. The reason why I'm saying that is that China has a very unique governance model. For example, for thousands of years, there's always a great mandarin system. For example, since the Sui Dynasty (581–618CE), the officials were picked by examination papers, selected and also, to some extent, elected.

I can give you an example. Even today, China has every year about 16 million high school students who go to the national exam like I did 40 years ago, but only 13 million are able to get into this system. That's really how they select elites. On top of this, there are 2 million college graduates who go to the exam for public servants. There are only 200,000 being chosen every year into different government systems. So there's a lot of selection going on.

Then further on, you have the governor's official selection, which is not based on making a good talk. You have to be guarded on the performance. For example, you can start as a village official, county official, municipality official and all the way up to the province, to central government, to minister and all the rest. That's really interesting. That system is probably very unique in China. All the officials are measured by performance. If you're doing well in your county, you can be promoted to a province.

Ebrahim Osman-Mowafy: Yes, but just to push back a little on that. That is not particularly unique to China. Here in the UK, there is a civil service. There are also exams to enter the Civil Service that would also be meritocratic the same way that you describe the selections that happen in China, but no one would

accept the Civil Service ruling the UK as any form of democracy. So, do you think it is appropriate to use the word democracy to describe China's political system?

Henry Huiyao Wang: I think there's another thing called consultative democracy. For example, the elites all get into the Chinese People's Political Consultative Conference. And of course, there is the National People's Congress as well. You have all those very interesting debates, unity, and consensus building. They seek more consensus-building rather than vetoing for veto's sake. I would think they have a different system.

Also, they apply a lot of principles, like you have to be selected on merits. You have to be doing a good job in order to continue. You have to do one five-year plan after another five-year plan. All officials are measured on the performance. And there's a system where they do selection and election every year. It's not really just based on purely how well you talk or how well you make a plan. You have to be measured on the substance. That's the system China is doing right now.

Ebrahim Osman-Mowafy: I see. I wanted to also ask about Xi Jinping's campaign promise when he became president—not his campaign promise but one of his pledges, which is that he wants to crack down on corruption in China.

Henry Huiyao Wang: I think President Xi probably is has cracked down on corruption the most out of China's leaders. China's anti-corruption campaign has achieved unprecedented progress in the last decade. So many corrupt officials have been punished and exposed to the public. Every year there's an inspection, there's a discipline and there are all kinds of things going on. China is making itself stronger through this anti-corruption campaign. You should go to China and see that the corruption situation is much better now, compared with a number of years ago. It has made a lot of progress.

American Elections and Sino-US Relations

Ebrahim Osman-Mowafy: I will move on to the American election. I wanted to see what you think about the isolationist policies that are being proposed by president-elect Trump, and his suggestions that he would impose very high tariffs. How do you think that would impact China-US relations and also China's standing on the global stage?

Henry Huiyao Wang: I think President Trump has his way of doing things. I understand.

Ebrahim Osman-Mowafy: Do you agree with his way?

Henry Huiyao Wang: He's a businessman. He likes to calculate and make gains. From his point of view, I perfectly understand that.

But I think probably, his approach is more interesting. Let's talk about concrete things. Let's talk about tariffs. Let's talk about Phase One, Phase Two, and Phase Three. Let's talk about how we can handle IPR, subsidies, or all those issues, rather than having issues like autocracy versus democracy—this binary view. For example, he said at his acceptance speech at the Republican National Convention that he welcomed Chinese investment. If you invest in Mexico, I'm going to probably raise your tariff to 200%. If they invest in the US, he welcomes that, which is fine. I just saw the Chinese CEO of CATL, one of the largest battery producers in the world say they're willing to invest in the US, which is great.

We could help President Trump with many things. For example, he wants to be a peace president. As I said, China can help him with that. He wants to be a MAGA president, China can also help revitalize the US manufacturing sector. So, I see this as positive progress if he really works on that line. Also, he's surrounded by a number of very smart businessmen who know China very well. Common sense probably could prevail and there will be more business opportunities if we really pursue that path. Otherwise, if we really become a rivalry situation, if we're locked into this Cold War mentality, that would be devastating for both the US and China and the world.

Human Rights, Xinjiang and Taiwan

Ebrahim Osman-Mowafy: I wanted to now talk about human rights in China, which is a topic that China doesn't like to discuss much. Human rights groups' evidence (shows) that in China, there are 1 million Uyghurs who are detained for the past few years in a network of state-run re-education camps, as they're called in China now. In these camps, there was reported indoctrination torture, even attempts of suicide from people on these camps. Do you think it is okay for China to treat 1 million people of its own citizens in that way?

Henry Huiyao Wang: I don't know where your data comes from.

Ebrahim Osman-Mowafy: Some of this data is Chinese data.

Henry Huiyao Wang: No, I haven't seen that. What I can tell you is that the Chinese government spokesperson, quite a few years ago already, said their training camps for Uyghurs in Xinjiang have already finished. They have already graduated.

Ebrahim Osman-Mowafy: If graduation is not finished, how many Uyghurs would you describe are there?

Henry Huiyao Wang: Because of terrorists and historical issues, there could be some terrorist attacks.

Ebrahim Osman-Mowafy: 1 million terrorists?

Henry Huiyao Wang: No, I'm not talking about 1 million. What I'm saying is that because there are some instances like that, perhaps quite a lot; I remember there were people driving a big van storming Tiananmen Square. And some people actually killed a number of people at the Kunming Railway Station many years ago. Measures were taken. If we look in retrospect, there are many things we could do better and improve, but I can tell you, there are no more training camps now. As of five or six years ago, the spokesperson said, all the training camps were dissolved. They were finished. China is actually looking forward to new progress. Xinjiang now is the safest and most prosperous place to visit now. It's open. Anybody who wants to go to Xinjiang is welcomed, including foreign journalists. I was there not too long ago. And I really hope everybody from here can pay a visit there to really see with their own eyes how great changes have taken place in Xinjiang. It's one of the fastest-growing areas in China.

Ebrahim Osman-Mowafy: Even if we accept that the camps are over, the UK Parliament have declared what's happened in Xinjiang to the Uyghurs as genocide. Do you think that Chinese officials should be held accountable for the actions that happened in Xinjiang?

Henry Huiyao Wang: I totally disagree. I don't think it's going to that far, as you said, like a genocide.

Ebrahim Osman-Mowafy: That is the UK Parliament.

Henry Huiyao Wang: They may have their opinions. But you can really go and see. It's very prosperous. There could be some things that can be handled better; I don't disagree with that, but I don't think that's as far as to the degree of a genocide. If you ask anybody there, they won't say that. What happened in Gaza is a genocide. I don't see anything like that happen in Xinjiang at all. Things can be improved. I think there are many lessons we learnt. Antiterrorism is really a new area where a lot of countries need a lot of experiments. I remember maybe 10 years ago, that was a really terrible slaughter. We have all those incidents happening. Of course, China wants to prevent that. We have things going on there. It's good for the people in Xinjiang and for the stability of the region.

Misunderstandings about Chinese Democracy

Ebrahim Osman-Mowafy: If there's one thing that you think the West

misunderstands about China, what would it be?

Henry Huiyao Wang: Autocracy versus democracy. China is multifaceted. As I said, there's meritocracy in China; there's consultative democracy in China. There is the 12345 Mayor's Hotline that everybody can call. One of our staff had a home decoration problem. They just called it and then the local government came to help with that.

The other thing is China has 34 provinces and big provincial-level cities. Every place is competitive and dynamic. It's 1.4 billion people. A country of such size never really have a readily available governance model. It's going through the river by touching the stones, like Deng Xiaoping said. I think China is doing remarkably. In the last four decades, China lifted 800 million people out of property. That represents 70% of property reduction according to the UN at that time. China became the second largest economy in the world in decades' time. China now becomes much greener and cleaner. It becomes the biggest green power country in the world. China builds two-thirds of global high-speed railways. China has 75% of global 5G networks. So, China must have done things well to achieve that.

Ebrahim Osman-Mowafy: But if the political system in China is predicated on the economic success that undoubtedly China is seeing, if this economic successive growth stops in China, does this mean that you can let go of that system and have a more democratic approach to governance in China?

Henry Huiyao Wang: Nobody knows whether the shoe fits them unless they wear it. As a Chinese, I would say of course there are a lot of problems. I don't dispute that. There are a lot of challenges. But on the whole, China has lifted 800 million people out of property. I was talking to one of the European former country leaders. He was telling me, "Look, we have an issue of Syria, Middle East. 1 million refugees flooded Germany and other parts of Europe. We have a chaotic situation with anti-globalization, Brexit and everything is boiling. If just 10% of those 800 million people in China did not get out of property and flooded the world as refugees, the world could have been in huge trouble. China contributes over 30% of global GDP and has become the largest trading nation of 140 countries. China must have done something right. This is really welcomed by the Global South. I think China is doing fine and China's system certainly is still evolving and improving. Nothing is perfect. We have problems. We've made mistakes. But on the whole, I think China has made a lot of progress. China is making a great contribution to global stability and prosperity.

One-China and the Taiwan Issue

Ebrahim Osman-Mowafy: I want to ask one last question about the one-China policy and China's relationship with Taiwan. Now the Chinese Ambassador to

Australia said that China would need to re-educate the Taiwanese people so that they would have the correct understanding of China. What do you think the Taiwanese people are getting wrong that makes them need education? And secondly, why is it that when 84% of Taiwanese nationals do not want reunification with China, only 12% of Taiwanese people want to reunify with China, China is not respecting that?

Henry Huiyao Wang: I doubt where your data came from. That's not the way to look at it. For example, I look at the one-China policy a little different. There's no dispute between China and the US and 183 countries who established diplomatic ties with China. When they had diplomatic ties with China, it was all stipulated that there's one China and Taiwan is part of China.

Ebrahim Osman-Mowafy: The Taiwanese people do not agree with that.

Henry Huiyao Wang: No. You can see from the election this year. The DPP, which is pro-independence only got 40%. The other two parties, where are pro-unification, got 60% and they have the parliamentary majority. There are two million Taiwanese people working in the mainland and as of October of this year three million Taiwanese travelled to the mainland. The Fujian government, which neighbors Taiwan, welcomed Taiwanese to work in Fujian with free schooling, medicare, social security and everything. There are also half a million husbands and wives married across the strait. Before DPP took over, six million mainlanders flooded to Taiwan, spending money as tourists and stimulating the local economy. I believe economic integration will happen.

And nobody said China is going to take over Taiwan in 2027. I keep hearing a lot of people saying this, but I haven't seen anything like that in China. I think China prefers peaceful unification. Of course, they don't rule out any measures against moves towards independence or foreign invasions. If we can keep the status quo and let the economic integration happen—I mean, they are all Chinese: the same language, culture and heritage—I don't see how they can't get together in the end. It takes time. I'm sure that day will come.

Ebrahim Osman-Mowafy: Would you support the referendum happening in Taiwan so the Taiwanese people can actually have their say on whether they want reunification or not.

Henry Huiyao Wang: I think if they want to have a referendum, they could have a referendum of whole China. Let's get 1.4 billion people including Taiwanese to do a referendum. I'm sure there's a very tiny minority that wants to be independent.

Ebrahim Osman-Mowafy: But this is the self-determination of the Taiwanese people, not of the mainland.

Henry Huiyao Wang: They are part of the mainland.

Ebrahim Osman-Mowafy: You're already assuming that Taiwan is part of China.

Henry Huiyao Wang: Historically it's part of China.

Ebrahim Osman-Mowafy: So you do not support a referendum of Taiwan?

Henry Huiyao Wang: I support a referendum within the whole China to do that.

Ebrahim Osman-Mowafy: But not just Taiwan?

Henry Huiyao Wang: Each province of China doesn't do it on its own. If you are talking about referendum, let's do it for the whole China. I'm sure 99% or 98% of Chinese would prefer unification.

Ebrahim Osman-Mowafy: Thank you very much Dr. Wang. We now move to audience questions.

Q & A Session

Q1: What do you think about the very recent announcement that Trump promises to raise tariffs on Canada, China, and Mexico? Do you think it's strictly business? Or do you think it will impact economic globalization and peacekeeping?

Henry Huiyao Wang: I noticed that news that President-Elect Trump announced that he was going to put 25% on Canada, Mexico, and China. I'm glad to hear that it's not 60%. He was saying 60%. Now he's saying 25%. I think China can absorb that because if Trump adds tax more and more countries—like he said, he's going to add tax to rest of the Europe for 20%—the more he adds tax on other countries, the other countries will do more trade with China. Of course, we don't want to have a tariff war, because that hurts everybody. But I think he's a businessman. He's starting some kind of tariff pressure because of the Mexicans, because the Canadians were not doing a good job in terms of preventing illegal immigrants. That's why he's doing this. For China, he probably has other reasons too. But I can see this is extremely unpopular internationally. I don't know how long its going to keep going. On the other hand, I do think Canada, Mexico, the EU and other countries, if the US is imposing tariffs on everybody, then everybody will do more business with China. We probably will have a better united front against this tariff war. I think the world will say no to that.

Q2: There's very good progress. We want to always see China strong and powerful because it plays, as you say, a global role to stabilise the balance in

the world between countries. But on the other hand, I see like there are Xinjiang and Tibet and I don't see much benefit of them to China. Why would you think that they should be a part of China, while they are draining the energy of Greater China and that China can have great potential without these areas? They don't really help the economy or anything. Can you tell me what is the benefit of keeping them? Why are they part of China?

Henry Huiyao Wang: That's an awkward question. Historically they are a part of China and it's a long history already. In fact, both Xinjiang and Tibet are some of the highest GDP growth regions in China. There is so much support from other provinces in China to support the economic growth in those areas. Nowadays tourists are flooding Xinjiang and there are a lot of conferences going on there. Ambassadors from many Muslim countries are saying that Xinjiang is doing very well. I think that as time goes on, we'll see a more prosperous minority region. China has 56 minorities. It's all part of the greater family. It's common prosperity altogether. Chinese governments of all the other provinces really support frontier regions to make them more attractive and more productive with higher growth. I don't have any doubt that those regions are much closer within the Chinese family. They are really prosperous together.

Q3: A lot of my research is about Belt and Road Initiative, looking at different projects in Zimbabwe, Pakistan, and other BRI countries. My question is, does China look and see BRI as an opportunity to expand more safe cities, the use of surveillance and AI technology? Or how does it view both technology and its role in BRI?

Henry Huiyao Wang: I think BRI is something announced about 11 years ago. It is probably the largest world gigantic development plan for developing countries. China is doing that to revitalize global infrastructure and I see that's really making a lot of progress. For example, in the last decade, China has invested \$1 trillion into 3,000 Belt and Road project across a number of developing countries. It's hugely beneficial to those countries. For example, recently, Indonesia just concluded the fast train from Bandung to Jakarta, cutting the traffic from 4 hours to 40 minutes—enormous progress. In Europe there's a railway being built through Serbia to Hungary. In Africa you have a lot of that. You see the port in Athens becoming one of the best ports in Europe now. China is doing great things to get the infrastructure to the world.

I don't think China has any other purposes but really to benefit. I had an African Ambassador telling me before that they are really looking for the world to have some big projects. But then they can't find them except through the Belt and Road Initiative. They appreciated that. I was talking to the Sri Lankan Ambassador just a few days ago in Beijing. He said the debt trap is not true. China's debt in Sri Lanka is only probably about 10%. It's not really a big issue like people said outside.

Furthermore, China's attention to the Global South on the global infrastructure

deficit has caught the world's attention now. The US came up with Build Back Better World and the EU came up with EU Global Gateway, which is great. Let's get all the developed countries invest on infrastructure projects and help the Global South, which is badly needed. Of course, the Belt and Road is not perfect. It has some challenging issues as well. But I think the direction is correct and China is doing its best to to achieve that.

Q4: My question is that with the increasingly popular rhetoric in the West that “China is a threat,” and “China is a threat to the Western world and to this world's stability,” do you think it is true for the Western world to think this way? Or do you think that there's a certain group of people trying to propagate these ideas? And finally, do you think it will ever come to a point where the East and West will start working together again?

Henry Huiyao Wang: You have raised also an interesting question: whether East and West will finally get together? You know, all roads lead to Rome. Eventually, we live on the same planet. Human beings have to work together. As I said, we have to face the common challenge of climate and AI. On top of that, we cannot have a war on each other. Because of the history, culture and different development paths, there are a lot of misunderstandings and mistrust. That's undeniable. But let's get to know each other better. Let's share more understanding. So I'm very glad to see China, in just recent few months, unilaterally opening visa-free travel for 27 EU countries, a number of countries in ASEAN, Japan, and South Korea. That's a huge breakthrough. Because in the past, China always said, “We need to be reciprocal. Why should we give you a visa if you don't give us a visa? We have to be equal.” But now China is okay. If you don't give me a free visa, I'll still give you a free visa. By doing that, you seen more foreign travelers coming to China, and seeing is believing. That's the best way to get rid of this mistrust and misunderstanding.

The world has become so prosperous and advanced in the 80 years since Bretton Woods and we haven't had a Third World War. I think we have to keep working. We should not destabilize the world. The East and the West have so many things in common. After all, we're all human beings. We are the same. With a platform like Oxford Union and with many others in the world, we can promote the concept of peaceful coexistence, allowing different systems. The world is so colorful and diverse. Why should there be only one way of development? There could be two or three or four ways of development. Let's tolerate diversity. Let's really embrace the variety of the world. The world's ecological development really needs every country to work together. I'm really optimistic that human beings will find a way to work together, whether in the East or the West, Global South or Global North. We have to work together. I'm sure common sense will prevail. Human kindness and the high spirit of dialogue and communication will prevail in the end.

The Importance of Learning and Education

In exploring these challenges and issues, perhaps the most important tool is simply knowledge. Knowledge is an essential tool and thanks to technology and a more interconnected world, we have access to more sources of knowledge than at any time in human history. However, it is our responsibility to use those resources and emphasize the importance of learning and education in future generations.

For centuries, the university has been at the core of higher learning and its modern iteration is rooted deeply in the German tradition of freedom in learning and teaching. It is this independence and space, free from control or direction, that has provided the world with the innovative ideas that have taken human civilization to the next level.

However, this is simply the form that has become most prevalent over centuries and does not discount any of the other traditions of learning and scholarship around the world. China's tradition of the 'academy' or 'shuyuan' can be traced back much further, more than a millennium, and its traditions of scholarship and academic values can still be seen in Chinese universities, despite being structurally very similar to those in the West.

However, knowledge contained is knowledge lost. It is essential that knowledge be shared and transmitted to future generations. China's pledge to invite 50,000 American students to study and learn in China is a bold and positive investment in improving the strained relations between the two countries by ensuring that future generations have the knowledge they need to make the right decisions.

This is why some of the world's most respected universities are also developing new models to become 'global universities' so that more young people around the world have more alternatives for high-quality and diverse education. This globalization of knowledge has created an 'empire of ideas' that are the culmination of the wealth of exchanges and lessons that greater interaction between cultures and civilizations have taught us.

The Modern University and China-US Education Exchanges

A Dialogue with William C. Kirby

Henry Huiyao Wang and William C. Kirby

The importance of the modern university on the formation of our modern world cannot be overstated. Developments of science and technology is a direct result of the higher educational institutions that have been established around the world. However, exchanges between these institutions and the scholars that power these innovations that is currently suffering, especially between the United States and China. This issue must be resolved if we are to address the current issues facing the world.

CCG President Dr. Henry Huiyao Wang and Professor William C. Kirby discussed about how universities rise and fall, how systems rise and fall, and the importance of exchange, not only in developing new solutions to global problems, but in promoting greater understanding between peoples and nations. They explored the qualities that define a successful university, faculty, and student, drawing insights from Professor Kirby's latest book, *Empires of Ideas: Creating the Modern University from Germany to America to China*.



Henry Huiyao Wang in dialogue with William C. Kirby at CCG's Beijing office

William C. Kirby is a T.M. Chang Professor of China Studies at Harvard University and Spangler Family Professor of Business Administration at the Harvard Business School. He is also a Harvard University Distinguished Service Professor and serves as Chairman of the Harvard China Fund, the University's Academic Venture Fund for China, and Faculty Chair of the Harvard Center Shanghai, Harvard's first university-wide center located outside the United States. He is also the former dean of the Faculty of Arts and Sciences. Professor Kirby has published and been quoted in many distinguished, well-known journals, papers, many books and many case studies.

Sustaining the Positive Impact of University Exchange

Henry Huiyao Wang: I'm glad you've come to China again and I would like to continue the dialogue that we left about a year ago. You mentioned the importance of education in nation-building, bridge-building, communication, and also knowledge transfer. I think now in current times, we're getting more geopolitical tensions. We're getting probably more misunderstandings from outside and across the world. We are facing more challenges. So it could be important now for us to have more exchanges.

You mentioned a number of historical examples, like how Tsinghua University originated, the Boxer Indemnity scholars, and you as an advisor to Schwarzman College. You and I are also on the board of Duke Kunshan University in China. There are also John Hopkins Nanjing Center and NYU in Shanghai. So there are a number of US-China education exchanges. In the current situation, how do you think we can strengthen these US-China education exchanges? You have been a champion and a pioneer, one of the most advanced scholars in terms of bridging the education gap between the two countries.

Given how important education exchanges, student exchanges, and people-to-people exchanges are today—you also mentioned talent and how we can facilitate talent flow, which are the still on people's mind these days, particularly in China—how can we continue to sustain that?

William C. Kirby: It's a great and difficult question because, you know, one of the things that Professor Fairbank once told me was that his biggest disappointment in his work on China was the cutting-off of academic relations with China from the early 1950s really to the late 1970s; no contact with his friends, mentors, and teachers back in China and no contact the other way around, mutually self-isolating. And this turned out to be actually quite bad for both countries.

When we have engaged cooperatively in the building of institutions—one can think of some of these newer ones like Kunshan Duke University, NYU Shanghai or Schwarzman College—they're building on a tradition that dates back to, say, the Yanjing University, the current campus of Peking University or Jinling University. The building on the cover of my book is the North Building at Nanjing University, which was built for Jinling University, a Chinese-American joint venture. The architect was actually an American who is an ancestor of one

of my colleagues on the Harvard faculty, Professor Dwight Perkins. We share so much in common.

And as you know, at Harvard, on our campus, one of the most prominent educational memorials on Harvard's campus is the stele given by Dr. Hu Shih of Peking University in 1936, where he was given an honorary degree on Harvard's 300th anniversary. Hu Shih wrote about how central education was to the culture of a nation, and to the strength of a nation. He once said—this isn't what's written in that stele—for a nation, not to have an army or a navy is no shame, but for a nation, not to have a university or a library, this is a cause for shame. Now, I don't think a lot of people in that period of time agreed with them.

Universities, of course, have their differences in different countries. There are different cultures of teaching. There are different expectations, different job markets. At the same time, the modern research university, whether in Europe or North America or China, is much more similar than they are different. This is why the leaders of Chinese, American, British, and Australian universities could agree in the year 2013 on what the fundamental principles of a modern research university are. The values of the leaders of China's leading universities and those of American leading universities are actually much more similar than they are different.

The challenge that they both face today, and here I can speak, you will know the Chinese situation better than I. But in the United States, you have political pressures on people to do less regarding China. At Harvard, happily, not that case. But we do see it in some instances, the various states forcing the closure of the Confucius Institutes, which I personally think is a shame, or the Trump Administration canceling our Fulbright Program with China, an extraordinary program that has benefited both sides for decades.

But the good news is that many universities are also pushing back against this. Our Chinese enrollments at Harvard continue to be strong. This last summer, we opened a new Harvard Summer School in Shanghai together with Fudan University, extraordinarily successful—a small program to start, but I hope the seeds of something much larger. We opened a new language program in Taipei. I don't have the exact number, but somewhere between two and three hundred Harvard undergraduates came to China last summer, some of them as part of a student organization to teach in Chinese high schools. About 150 of them did that. We also had 130 Harvard business school students come and visit China. I have started a series of grants through our Harvard China Fund, called "(Re) engage with China Grant" to our faculty so that they can reengage with their academic partners here in China.

I think it's important to note that I have many close friends in Chinese universities including many close friends here at Nanjing University in this picture. But the majority of American professors who have research work in China, together with Chinese colleagues are scientists, engineers, people in public health, medicine, in all other areas of endeavor, because they share the same passions and they are addressing many of the same problems. And we have to encourage them to work together.

In 2019, Harvard President Bacow met with President Xi Jinping. They both agreed that universities need to cooperate even when governments have difficulty doing so. President Xi was very clear about his view that this was a positive thing, as was President Bacow. And I know our current president, Alan Garber, strongly feels the same way.

But if we think about it, it isn't geopolitics that we're facing now. The Covid years really set so much back. The zero-Covid policy made it impossible for foreign students to study here, or foreign scholars to do that. The end of that, of course, is very welcome, but then you have to recover from three years of absence to build programs back up. I believe we will, but I think it will take time and determination to do so. It will take, again, a long view, because Chinese-American political relations may not get better tomorrow, but universities will need and want to cooperate.

Encouraging American Students to Explore China

Henry Huiyao Wang: I know that you're the Chair of the Harvard China Fund. It's great to hear that you have sponsored two or three hundred Harvard students to come to China in the summer and that this trend will continue. I know that China also earnestly wants to welcome more American students because right now, even though the number dropped a little bit from the peak of 370,000, currently 290,000, but still, China is the largest source of international students studying in the US, so we hope that continues as well.

I know US Ambassador Nicholas Burns also is a former Harvard faculty member. He is very keen to promote more academic exchanges. I also hope that, as you said, the three-year pandemic significantly impacted American students coming to China. Also, there could be some tensions or mistrust among American parents. Maybe they feel it is not a suitable time to come.

Here at CCG, we are also promoting mutual understanding. For example, not too long ago, we issued a report on how to welcome 50,000 American youngsters to come to China in five years time. We could get it done through the alumni networks, scholar exchanges, all those associations and the linkage of universities. I think the number of US students coming to China has probably gone up quite a lot now, maybe over 1,000 and even 2,000. But we hope there will be more.

So what are your ideas and suggestions on how we can have more American students to come? Of course, lifting travel ban could be one of them, but China could also do more to help. One of the suggestions I would like to make is that China has issued free-visa travel policy to 18 European countries, let's give all US citizens free visas so their parents can come to see if it's safe and sound, and then their kids can follow. US faculty members can also easily come.

William C. Kirby: That would be an incredibly welcome move. Actually, we work with the Chinese consulate in New York, which has been an incredible

support of our students and faculty getting visas relatively quickly, and actually more quickly often than our Chinese counterparts can get here, although under the Biden administration, our embassy here in Beijing has also worked overtime to make sure that students who want to come to the United States are able to come.

So in both sides, we have to work against not just the political headwinds from people who are worried. Sometimes people in the United States are worried about nefarious Chinese plans to do X or Y; there are people who are convinced that TikTok is a mortal danger for the American public. Frankly, I think that's quite laughable, but these people actually believe it. It is a sign of not happy times when the two leading powers in the world are having a dispute over a teenage video app. It's a little crazy when you think about it. So it leads people to be much more cautious.

The great programs, for example, China studies in the United States by people like Professor Fairbank, were developed because these—Fairbank in particular was a remarkable academic entrepreneur. His mission in life was such that, he couldn't be engaged China directly during the Cold War, but he did educate and place in American universities a whole several generations of scholars who would teach young people about China, and we are still benefiting from that today.

I think our faculty are not more than willing to be engaged. Sometimes, unhappily, not at Harvard, but at some universities I do know, administrators are more cautious. There's a wonderful Chinese phrase which you will understand, as true of administrators here in China, is "pa mafan" (fear of trouble). You know, let's not do that. That might get us in trouble. You never know what might get you in trouble. That's true, both in China and the United States. But if you don't try, you absolutely won't succeed. And if you don't try, then both countries will become more parochial, more self-isolated.

You have people in the United States worried about, oh, you're going to China? Aren't you worried? And I make it very clear why I am not worried and why our students are not. You get that on occasion. And you have also in China sometimes fear that I've seen expressed, that there's too much exposure to so-called "Western ideas." Now I don't actually know what a Western idea is. Is the university a Western idea? Marxism is a Western idea. It's a pretty powerful Western idea.

Henry Huiyao Wang: I think you've given us some vivid examples. First of all, the Harvard China Fund has spent so much on Harvard students to come to China. Also, I can remember a number of Harvard professors who came. You are one of the most active. I had Graham Allison here, Joseph Nye, Tony Saich, and many more. A lot of Harvard professors have set good examples for communication, which is really important.

William C. Kirby: I would say that at our university, there are more than 300 faculty members who regularly before Covid did research with Chinese

colleagues in different parts of the university. And we often never knew when they were in China because there's no reason to tell me or to tell the university. They're faculty and they can do what they want. But I always kind of wish we had put a GPS chip in their neck, so that we would be able to just identify—just kidding—where our exchanges are successful and how we could help deepen those exchanges for the alumni.

Good Universities and Good Applicants

Henry Huiyao Wang: Graham Allison and Joseph Nye from Harvard have set good examples for these kinds of exchanges. We were actually in Washington D.C. together at the Duke University's New Global Universities Summit in this summer.

So, on global university innovation, you have already given some suggestions on how to be a best university in The Empire of Ideas, but we'd like to hear more. What is the best diversity that we should have? You mentioned that they should be attracting talent from around the world. After that, we will also raise a question interesting to parents about how to become a good student that can get into a good university. So, the first is how to be a good university and the second is how to be an attractive applicant.

William C. Kirby: There's no one way to be a good or a great university, and there are many ways to fail in doing this. But one of the things that we learned in this Duke conference in Washington was that this is a world of extraordinary experimentation and innovation in higher education, and not just in the research university, in undergraduate colleges and the world over.

As you know, Noah Pickus at Duke is a co-author of a book on new universities. I co-edited a volume of the American Academy of Arts and Sciences journal, *Dædalus*, on innovation and experimentation in higher education. Because all over the world, in Asia, sometimes China, India, Southeast Asia, Europe, and to some degree North America—but not as much in North America as elsewhere—are all kinds of new educational models. Some of them are more virtual, like the Minerva Project in California. But some of them are truly heroic, like the Asian University for Women in Chittagong, Bangladesh, one of the most ambitious programs to educate Muslim women from all over South Asia in the arts and sciences in a rigorous way, in a not easy city to educate people. If the United States and China continue on the direction of disengaging from each other and of actually to be more self-isolated, then we both lose out. Chinese and American universities need to study what else is going on in the world.

I can tell you that American universities became great in part by taking lessons from others, from the British on undergraduate education, from the Germans on graduate and research-focused education, and so on. But today, it is very rare for American universities to look abroad for new ideas. We are very parochial in this regard. Chinese universities still do this, but they too, as they have gotten

better and as they become more prestigious, all tended, in innovation, to look more to what each of them is doing than what is happening, for example, in Japan or Southeast Asia or elsewhere. And I think both of us need to have what the great president of Peking University Tsai Yuen-pei once called a “shijieguan de jiaoyu”—be focused on an education with a worldview and maintain a truly global view of global education.

Henry Huiyao Wang: Absolutely, having a global worldview are very important qualifications. My second question was on the student. We have a lot of Chinese students who want to study continuously in the US and other countries for advanced degrees. These days, what good qualities are you looking for in students? Are there any recommendation you can give on how to students can prepare themselves?

William C. Kirby: Anyone who is listening to this and thinking as a student or a parent of a student applying to Harvard as an undergraduate, there is no one path. We don't have an absolute profile of the talent that we wish for. We want to have a highly diverse student body, diverse in talents as well as in backgrounds, international as well domestic. We don't have a gaokao [college entrance examination in China], as you know. We do have these other tests, but they're not as definitive as gaokao. We're really looking at the individual and their own capacities, and we try to interview as many as possible personally by alumni here in China. That became more difficult during Covid. I'm always asked, how do you get into Harvard? And I have a one-word answer, apply. Because if you don't apply, you absolutely can't get in. That I can guarantee.

What's different about graduate education compared to undergraduate education? We have one committee that admits everyone to Harvard College, a very large committee that works very hard. But in graduate education, it's not one committee for the Graduate School of Arts and Sciences. Every department chooses their new PhD students. They have no criteria except excellence. They are not saying we need this many Americans or this many Chinese. They go for the best in the world. And this is what has made Harvard and some of the other graduate schools in the United States among the best in the world, because they look for talent wherever it comes from. And they all get the same amount of funding, which is total funding from us, and true of our competitors in US, irrespective of their background, irrespective of their income. I think anything that endangers that really does endanger the capacity of American universities to continue to do well.

But there's no one way. If you're gonna apply to the math department, you have a different set of skills than if you're applying to the history department or others. But I hope and that the number of Chinese applications to American graduate education rebounds to its earlier level, because even though, of course, you could now get an extraordinary graduate education here in China, in a way that you could not 40 years ago or even 30 years ago, and even though it could be a launchpad to a good academic career, it's important for the best people to test

themselves against the best in the world, to continue to go abroad, to learn what others are doing, and to make friendships that will last a lifetime and will be very important either in your life as an academic or your life in business or whatever else you go on to do. You know, I would not be sitting here talking to you if I had not, as an undergraduate, studied abroad in Germany, and then, after college, studied in Germany. I would never have had the courage to then go on and learn Chinese and then come here.

Henry Huiyao Wang: I want to come back to your book—What It Takes to Become Top Universities. Maybe you can give us one or two factors that make a top university? I'm a big fan of university history. One of my ancestors was the Dean of Yuelu Academy in Hunan. That was a long time ago. During his tenure there, Zeng Guofan and Zuo Zongtang were among his graduates. We would like to see how we can carry on the great tradition of top universities in China.

William C. Kirby: Here I will take a page out of one of my predecessors' book, Professor Henry Rosovsky, who was the Dean of the Faculty of Arts and Sciences before me. He had several lessons about how universities become and remain great. He wrote a book called *The University: An Owner's Manual*, which is a really remarkable book.

And he said that one of the most important things for a great university in terms of its success or failure is governance. How is it governance? In the case of many American universities, it means boards of trustees or boards of regents of public universities. In Harvard's case, it means the Harvard Corporation. When there is good governance at a university—governance that allows the institution to do its job, to do research unimpeded, to allow teaching without constraint, to allow students to learn across the curriculum—when you have that and that is protected by good governance and reinforced by good governance, you are very likely to have a successful university.

But we have seen this break down just in the American context in the 1950s during the McCarthyite period, where the anti-communist scare in the American university led to the purging of faculty and the interrogation of students who have been active politically. This happened at Harvard just as it happened in many other American universities. And at the same moment, the same thing happened to greater degree in Chinese universities in that period, to our mutual detriment once again.

There is no one model for good governance. When you don't have to think about it, then you probably do have good governance. It was in the 1960s when Harvard and many other American universities almost came apart out of conflicts over the Vietnam War, there was great disputation about how best to govern a university to keep it focused on its academic mission. In the last year in the United States, with so much contestation over the Israel-Gaza operation, you see different boards of trustees and our own Harvard Corporation going one way one week ago and another way in the next week—not leading to confidence, quite frankly.

Universities are complicated things to govern. In the United States, it's very difficult to be a university president because you have so many constituents, so many jobs to do, and the average tenure of an American university president these days is shorter than that of an undergraduate in college. Undergraduates take longer than you think, Henry, but it's only about five point something years. Now, it's difficult to be president of any great university in China, too, and even more difficult when you also have another co-president, the party secretary. Often, they work together extremely well to the betterment of the university, but sometimes not. They have very difficult minds of communication and structures. This is a Soviet model that has been maintained in China, and China has extraordinary university presidents and many extraordinary party secretaries. But it's just automatically a more complicated model than what we have in the United States or what exists in Western Europe. So, the challenge of good governance is even greater. When it works as it is working, for example, like Tsinghua University or Peking University in recent days, then it's a marvelous thing.

Henry Huiyao Wang: Yes, it's trying to work. Western universities, particularly those in the United States, have a board of governors, whereas in China, the government funds all the universities, so they have a government representative who does all the supervision and advisory work.

William C. Kirby: The basic job of government, in my view, is to support and protect the universities from external pressures, to allow students to learn, faculty to teach, research to be pursued, and not to be too in the weeds. We see many examples in China of this in recent years about what student should learn and what the faculty should teach. But you see this in the United States, too. In the State of Florida, the governor has allowed for the banning of certain books or certain disciplines such as sociology are removed from general education curriculum. It's not far removed from the worst forms of government interference.

Henry Huiyao Wang: That's true. Providing funding is important for the government to support universities to flourish. And of course, in certain environment, the government is also playing an important role in organizing things. Now, we will pick up a question from Frances Sun, former Director for Asia at Harvard Alumni Association.

Frances Sun: Every time I listen, I learn. I have a question to Professor Kirby: now there are a variety of lists called "university rankings", trying to evaluate which are the best universities. What do you think of this? How accurately can they evaluate who's the best, who's next, or who's not that bad?

William C. Kirby: We at Harvard never pay any attention to these rankings unless we're not number one. In the Shanghai ranking, which is a very scientific ranking of certain types of research publications we come up very well. Some

of the American ones focus on other issues. In the Times Higher Education, somehow or other, Oxford and Cambridge do remarkably well. Basically, you end up with the same groupings of universities over time.

But again, times can change and you'll see a shift now. More American universities used to be in the top 50 ten years ago than are today. More Chinese universities are in the top 50 than there were 10 years ago when there were none. Maybe two years ago, in the QS ranking, Tsinghua University and Peking University outranked all but two of the American Ivy League universities. Happily, Harvard and Princeton have stayed ahead of them again just by a little bit. But they tell you where things are moving, where universities are rising or falling or where systems of higher education are rising or falling.

But they don't tell you how students learn. They don't tell you how teachers teach. They don't tell you who has been inspired to do something altogether different because of their education. So on many basic levels of education, they don't tell you what you really want to know. Do these universities turn out people who become extraordinary citizens? Do they turn out people who become innovators in industry or in science? Just focusing only and largely on the research of faculty is an important thing, but it is only one part of the universities. But these rankings almost exclusively focus on that. So I think we have to take them with a grain of salt and not worry if your university has gone from No. 32 to No. 35 and somehow the sky is falling—it actually makes no difference. We, again, are never worried about it as long as we're No. 1.

When Aristotle Meets Confucius—A Dialogue through Time Exploring the Wisdom of Different Ages

A Dialogue with Jeffrey D. Sachs

Henry Huiyao Wang, Jeffrey D. Sachs, and Farah Nayeri

China is one of the world's great civilizations and cultural centers. Understanding of fundamental cultural traditions is the beginning of generating an appreciation and affinity for the values and traditions of other peoples and histories. It is also in these basic human values that we discover we are all human beings with the same essential needs and desires.

In this unique “Aristotle-Confucius Dialogue”, Dr. Henry Huiyao Wang and Professor Jeffrey D. Sachs play the roles of Confucius and Aristotle, representing each of their philosophical sages in a discussion moderated by Farah Nayeri.



Henry Huiyao Wang in dialogue with Jeffrey D. Sachs and Farah Nayeri at the Athens Democracy Forum

Jeffrey D. Sachs is a world-renowned economics professor, bestselling author, innovative educator, and global leader in sustainable development. Sachs is widely recognized for bold and effective strategies to address complex challenges including the escape from extreme poverty, the global battle against human-induced climate change, international debt and financial crises, national economic reforms, and the control of pandemic and epidemic diseases. Sachs serves as the Director of the Center for Sustainable Development at Columbia University, where he holds the rank of University Professor, the university's highest academic rank. He is President of the UN Sustainable Development Solutions Network, Co-Chair of the Council of Engineers for the Energy Transition. Sachs has authored and edited numerous books, including three New York Times bestsellers: *The End of Poverty* (Penguin Books, 2005), *Common Wealth: Economics for a Crowded Planet* (Penguin Press, 2008), and *The Price of Civilization* (Random House, 2011). Sachs is the 2022 recipient of the Tang Prize in Sustainable Development and was the co-recipient of the 2015 Blue Planet Prize, the leading global prize for environmental leadership. He was twice named among Time magazine's 100 most influential world leaders. Prior to joining Columbia, Sachs spent over twenty years as a professor at Harvard University, most recently as the Galen L. Stone Professor of International Trade. Sachs received his B.A., M.A., and Ph.D. degrees at Harvard.

Farah Nayeri is a journalist, author and podcast host based in London. She writes on culture for The New York Times, and recently published a nonfiction book titled *Takedown: Art and Power in the Digital Age* (Astra House, 2022). Her "CultureBlast" podcast features hourlong interviews with superstars from across the world of culture.

Ancient Philosophers on the World Today

Farah Nayeri: I have moderated many panels in my life, including right here at the Athens Democracy Forum. But I think it's safe to say that never in all my years have I had speakers of the sheer caliber of the ones that I'm accompanied by this evening on stage, for we are here in the presence of two of the greatest philosophers and thinkers of all time. To my right is the great Greek philosopher Aristotle, who many consider to be the greatest Greek philosopher of all. We are gathered here in Athens, a city where I believe he spent the better part of his life. And to my left is none other than Confucius, the greatest Eastern philosopher of all time, whose beliefs and principles are taught and respected all over the world, including, of course, in the People's Republic of China.

Of course, it is a little odd for a woman to be moderating this particular session. Why? Because it's possible Aristotle and Confucius are not as caught up with women's rights as we would like and maybe not the greatest defenders of gender equality. I'm very sorry to put you both on the spot here. You are not

alone. Millions and millions and millions of men in the world today, as we all know, share your views, including in my homeland, Iran. I am, as you can see, an outspoken Iranian woman, of which there are many.

Aristotle's view is that women should be excluded from politics and public life (I did check this in many historical sources; it really isn't a gratuitous statement) because they are capable, according to Aristotle, of only limited doses of practical rationality and have a tendency to let their emotions take over. So I'm going to try and control my emotions this evening and be as rational as I can.

To Aristotle, even though women do have the status of citizens, which is, of course, a very high status in the view of Aristotle, they require permanent rules by their male superiors in public and within the family unit.

As for Confucius, his belief is that women's role is to take care of household management, be a wife and a mother. There are very few women who have the talent and the virtue to be able to transcend that role and step outside of the domestic realm.

Again, Aristotle and Confucius are by no means alone in holding these views. As I was mentioning earlier, there are, in 2024 (we're almost in 2025) millions and millions of men who are of the same belief. So I'm going to jump off my feminist soap box and move on to more pressing topics of discussion with the two great thinkers we have here with us this evening. And what a privilege it really is.

Allow me first to turn to you, Aristotle, also known as Professor Jeffrey Sachs, Director of the Center for Sustainable Development at Columbia University. Aristotle, you preach virtue, rationality, choosing for the common good, moderation, and civic participation. What do you think of the state of the world today? And more specifically, what is your view on the way in which the United States of America, the great superpower, is conducting itself?

Jeffrey D. Sachs: First, I want to thank the organizers for inviting me back to Athens. I left 2,347 years ago. I had to flee that year. You'll recall that my student, Alexander, died suddenly in Babylon. I was a Macedonian in Athens. It was not entirely safe. So I left and moved to the Upper West Side of New York. I've been teaching at Columbia for a little over 2,000 years, or so it seems. But it's very nice to be back in Athens, and I've loved the neighborhood. If you stroll outside, it's just a few blocks to my school, the Lyceum. And I do encourage you to take a walk. Remember when we lectured, we walked. We are paripatetic philosophers, and I'd be happy to walk with any of you in the Lyceum and teach you a thing or two.

I wrote, as you know, around 200 books. Many of them you'll only find in a few libraries now, still unexcavated. But a few of them I really do want to draw to your attention, three in particular to address your question.

I wrote *De Anima*, *On the Soul*, to help us understand human nature. It was a best seller in 330 BC, it made *The New York Times* bestseller list, and it's been on the core curriculum pretty much for the last 2,300 years. It's about human nature.

A second, I wrote probably the first self-help book in Western culture, which I gave to my son Nicomachus. It came to be known as the *Nicomachean Ethics*. It was really to help my son grow up, frankly. I told him: behave yourself, moderation in all things, and be a good person. We used the word “*arete*”, virtue. But just behave and don’t get carried away like an animal. You know, think like a human being. This is the most important point.

When I finished that book, the core that I had established about human nature, among other things, was that people are *zoon politikóns*. As you know, we are social animals. We are political animals. We live in communities. And you probably know a few weirdos who don’t. I said in the *Nicomachean Ethics* that anyone who would live alone must be either a god or a beast. Some of them are now running for President or other positions, but in general, we are social animals and we need to learn to live together.

So when I finished the *Nicomachean Ethics*, I gave a course the next semester on politics, in other words, how to be virtuous as citizens. Politics is conjoined with the *Nicomachean Ethics*. One is a kind of self-help for people and the other is a self-help for political systems. And to do that, I did some good empirical research. My grad students needed term papers, so I got them to collect all the constitutions of the polises of Greece. They collected around 400 constitutions. We analyzed them and then asked the question, which of these produces *eudemonia*? Which of them delivers happiness?

What we understood was virtue is key to that; how people really behave is key. One of the most interesting things is that the discussion here of this forum, which focuses on a structural issue—democracy—is maybe not really the main point because you can look at the form of government, and I noted three main forms, government of the one, government of the few, and government of the many. But I noted in *Politics*, which I hope you’ve read several times, there are good forms and there are bad forms.

Just to finish on that. Look, in the United States, we have what I showed was a terrible form of democracy. And the reason is that democracy first has to be based on virtue, but we have crooks as Presidents; we have liars as Presidents. There’s no sense of virtue; none at all. In fact, really, it’s a democracy only on the surface right now because the hidden state and the plutocratic state really drive so much of American politics. It’s somewhere between how much you take for your political campaign, which will be about \$10 billion this year. Everyone’s on the take, by the way.

And the billionaires, which we didn’t have in my society—we had a thousandaires and millionaires in drachmas. Now we have billionaires in dollars. Pretty impressive. They buy all of the politics. I warned about this. I said you need a strong middle class if you’re going to sustain really a kind of polis that works, that delivers for the common good, which ours does not.

Now I’ll move on to the second point that I want to emphasize, and then I’ll turn it over to Confucius. I haven’t seen you in 2,300 years, but you’re 200 years older than I am and you’re looking great. So welcome to my hometown. But I’d like to say that there was a big mistake, a really strange concept called

the democratic peace. I don't know who came up with this weird idea, but it was thousands of years after I had lived in a democratic setting. There was no peace in Athens. This was the most warmongering, imperialistic state. We had demagogues that said go for war, go invade Syracuse! How stupid was that? We lost the Peloponnesian wars over this idiot that told us to go invade Syracuse. That's democracy. You get a demagogue, you go to war. We've got demagogues galore. We're nonstop war right now.

Even as we speak, we're at war in Lebanon. By the way, that's a US war. We provide all the bombs, all the money, all the intelligence. And be careful because maybe tomorrow the war will be in Iran also because that's the real idea of these creeps in our government. And so it's a very dangerous time. But over to you, Confucius.

Farah Nayeri: Certainly wouldn't want war anywhere, really. I'm a pacifist, but I wouldn't want it in my homeland or anywhere.

Jeffrey D. Sachs: Of course, but that's what they're after right now. They're trying to provoke another war. That's what Cleon did. This goes back to Athens, my god!

Farah Nayeri: We need to turn to your colleague. I would very much like now to address Confucius, who is also known as Dr. Henry Huiyao Wang, Founder and President of the Center for China & Globalization in Beijing.

Confucius, one of your most famous precepts is "do not impose onto others what you would not wish to be imposed on you." This is a moral tenet which, as you've told me, encourages individuals to practice empathy, respect in their interactions with others, and promote peaceful coexistence and mutual understanding. But, there doesn't seem to be a lot of evidence of that in the world today, as Aristotle was pointing out to us just moments ago.

So, Confucius, when you look out on the world with all of your wisdom, what do you see?

Henry Huiyao Wang: I think even though Confucius is about 200 years older than Aristotle, I can act in today's world just to reflect a great philosophy of ancient times.

Confucius lived in 500 BC, but he had 3,000 students and accumulated a lot of teachings and wisdom. What I think he values most is benevolence. You have to really love the people and be a good governor or good ruler. Fundamentally, you have to love the people. I think that's the teaching he has throughout history. So even today, it's the backbone of the Chinese governance style. The other thing is that he strikes a balance. He looks for the Doctrine of the Mean because he wants to pursue a neutral way of life and not go to extremes.

Of course, the other thing he was talking about a lot is, as you mentioned, do not do to others what you do not desire others to do to you. That absolutely reflects the golden rule. We have to consider this as a global motto, whether it's

personal relations, government relations, or people-to-people relations. That's the very wisdom of Confucius, who had a huge impact on China.

Concepts of Democracy East and West

Farah: Well, how does he have an impact on China? Because I don't think the Doctrine of the Mean is something that one can observe in China, whether internally or externally today. You know, it is not a doctrine of moderation. It is not a doctrine of the middle path. It is a system that can be considered not to be a democracy.

Henry Huiyao Wang: We're here in Athens, which is the origin of Western democracy, but I think democracy needs to be upgraded, innovated, and enhanced. China has Confucian values and Confucian philosophy has produced a very unique system in China through a combination of Confucianism and meritocracy. This is a form of democracy as well. For example, today in China, every year, almost 14 million students take entrance exams and 12 million are selected to go to college, which is a kind of selection by examination. Then you have two to three million college students applying for government jobs and about 200,000 are selected based on these examinations. It's a meritocracy that's been practiced for thousands of years and a legacy of Confucius that exemplifies governance in China. Government officials in China also gradually work their way up based on their performance. For example, there are 2,800 counties and 260 cities in China with populations over 1 million that are in 34 provinces and provincial municipalities. You have to really work your way from the village to the township, the county, the municipality, the province, and to the central government. It's not how good you make a speech in the public square that decides whether you become President. You have to work your way through.

You see there's meritocracy. There's selection. There's Chinese consultative democracy, where, I think, more Confucian value is applied through dialogue, consultation, and working your way up the ladder. This is a unique model, which is how you can justify China having lifted 800 million people out of poverty or having become the second largest economy in the world, and now the leader of a green power transition. They must have done something right.

Also, China has 5,000 years of history and is the only civilization to maintain continuity to the present day. China has many merits and this is the reason for Confucius being represented today.

Farah: Aristotle, we just heard from Confucius, but I did want to ask you a question because I've been listening to your pronouncements—I have to say—on TV and on YouTube. I wanted to ask you after listening to you, because I heard a lot of really harsh criticism of your homeland, the United States of America. And, I don't know whether it's for the sake of argument, but you also are almost defending or explaining the policies of America's adversaries, such as China,

such as Russia. Why are you doing that?

Jeffrey D. Sachs: First of all, it's the responsibility of a philosopher to critique one's own society. My colleague Confucius spent almost all his life wandering from kingdom to kingdom trying to get some ruler to listen to him. Finally, at age 70, and I'm familiar with that, too, you sit down and you would teach your students. And then they write *The Analects* based on your teachings.

It's very hard to get rulers to listen, but I do believe that it's extremely important to critique one's own society first because we have a very hard time understanding ourselves. And you remember what we all know from the temple of Apollo at Delphi. What are the first words on the wall? Know thyself. This is the key. We don't know our own society.

I was reading *The New Yorker*. It's undigestible propaganda, if you know. And so are your pages very often because you're telling people what they wanna hear, not what's true. And this is the job of a philosopher to say this.

There was another great sage. He's a kid, Jesus. He was born about 380 years after I was. And he used to say, why do you point to the mote in the other person's eye when you have the beam in your own eye? You know, it's very clever. I think Jesus' foreign policy is right on the point. If we take the beam out of our own eyes, understand what we're doing, we can make peace with others because this is the whole idea that you have a relationship.

I think Confucius made brilliant points about the decency of relationship. Book 8 of my *Nicomachean Ethics* was telling Nicomachus, make friends, learn how to be friendly with other people. You have to listen to them. We're not good at that right now. That's why I do it.

But I also know something went haywire in the United States in 1947. We created the CIA. We have a deep state. We really do. If you have done 44 years of work like I have—again, that's only part of my 2,300-year career—but more recently I see the United States lying all the time. One day there was a coup in Haiti and the President said they're gonna take me out, because he asked me to be his economic advisor. This was Aristide. The CIA walked in, put him on an airplane, flew him 23 hours to the Central African Republic in a coup. I called *The New York Times* reporter on the beat, aren't you gonna cover this? She said to me, well, my editor is not very interested in a coup in broad daylight.

You asked Confucius if it's not a democracy, but again, read my book *The Politics*. Democracy can be mob rule. It can be plutocracy. I want a mixed form of government. I want meritocracy. We, the donors, pay money and then they become our representatives all over the world because they put in some money. But my experience is that the Chinese senior officials are so much better trained than the American senior officials. It's a huge difference.

Farah: That's a compliment to you, isn't it, Henry? I would basically like you as Aristotle did. Confucius, it would be great if you could critique, as he did, the system that emanates from China. Can you critique your system?

Henry Huiyao Wang: Absolutely. We live in a world of democracy. That's why I think this form is a form of democracy. The thing is, China is critiqued by countries around the world all the time. We live in a world of 200 some nations, the biggest opposition parties being the United States and of course, probably the EU, too. So China is constantly being criticized.

That's why democracy needs to be innovative and upgraded. For example, in China, you have a big digital democracy. You know, there are 1 billion smartphone users. Where to go, what to buy, what to prefer, they're voting with their mobile phone wallets on a daily basis. That's also a democracy. Also, there's big data. People are not foolish anymore. They can really use the big data to accurately cure a patient or to cure officials if they make a big mistake.

I think the old notion that there's only a public square for debates and that after debates, you pick a leader probably needs to be innovated because, in China, you have to rise through the ranks, from the county to the municipality to the provinces to the central government based on your performance. If you look at the 2,800 counties in China, all the mayors are competing with each other. So this is a new form of a democracy, or I would say, a democratic meritocracy. And that works. If people are not familiar with that, I think it's great that we go back to the roots of Confucius. That's where everything comes from.

Meritocracy has been practiced in China for thousands of years. The Mandarin system was invented thousands of years ago. So, it's not really something new. China has been doing it for its 5,000 years of continuous civilization and then married it with technology, globalization, and the market system. They created a miracle. We probably need a new look at what China is doing and forget about the old divide between democracy versus autocracy. We need a new narrative.

Farah: I think we have a new narrative tonight because we have the United States being portrayed as a plutocracy full of crooks and liars. Then we have the People's Republic of China defined as a meritocracy, where you rise on your merits. I think that we do need to think in different ways and fresh ways.

How to Attract 50,000 Young Americans to China

A Dialogue with David Zweig

Henry Huiyao Wang, David Zweig, and Mabel Lu Miao

China's history of studying in the United States is well known and continues to this day, but China has always been a less common choice for American students studying abroad. However, in today's world of tension and misunderstanding, it is especially important to encourage more Americans to study in China, which is why President Xi set a goal to invite 50,000 American students to China to study and learn about this massive country.

In this dialogue, CCG President Dr. Henry Huiyao Wang, Professor David Zweig and CCG Secretary-General Dr. Mabel Lu Miao covered topics such as the role of Chinese returnee scholars who have studied abroad, China's efforts to attract 50,000 American students to study in the country as well as the role of international scholars in driving improved relations between governments and individuals.



Henry Huiyao Wang in dialogue with David Zweig and Mabel Lu Miao at CCG's Beijing office

David Zweig is the Vice President of CCG, and Research Director of the Alliance of Global Talent Organizations (AGTO). Previously, he is a Distinguished Visiting professor in the Taipei School of Economics and Political Science at National Tsing Hua University, and professor emeritus at the Hong Kong University of Science and Technology. His areas of expertise include China's talent migration, foreign economic policy, energy policy, resource diplomacy, returnees and new diaspora, and Hong Kong-Mainland Relations. Zweig studied in Beijing in the 1970s, but since 1991, he has surveyed and interviewed returned academic scientists entrepreneurs, and employees all over China. He has authored five books, including *The War for Chinese Talent in America: The Politics of Technology and Knowledge in Sino-American Relations* (Association for Asian Studies, 2024), *Internationalizing China: Domestic Interests and Global Linkages* (Cornell University Press, 2002), *China's Brain Drain to the United States* (Routledge, 2013), and has edited seven books, including *Globalization and China's Reforms* (Routledge, 2007), and *Sino-US Energy Triangles: Resource Diplomacy under Hegemony* (Routledge, 2015).

Current Trends in the Returnee Community

Host: We are delighted to have you here. I'm very interested in why you all chose this field and studied it for so many years.

Henry Huiyao Wang: Let me start. The Center for China and Globalization and the Alliance of Global Talent Organization are dedicated to the study of Chinese returnees as well as their impact and importance. I'd like to give some background on what we've studied as we have a large number of international viewers who might like to know how CCG has conducted these studies and how it's in line with China's 40 years of opening up.

The returnee phenomenon has grown over time and has become a global phenomenon. So far, nearly 10 million Chinese students have studied abroad over the last 30–50 years and about 7–8 million have returned to China. CCG is at the forefront of studying this phenomenon and we have published over 30 to 40 books in both Chinese and English including almost 20 blue books on this topic in collaboration with the Chinese Social Science Academy. This is where we started today and I'm honored to be able to discuss this with David Zweig and Dr. Miao, my co-authors of many of these studies.

David Zweig: I was trying to think of some good stories and one particularly came to mine, I had a co-researcher named Shao Wei who was the deputy director of the Chinese Service Center for Scholarly Exchange, a center for overseas education that primarily manages students going overseas and then, when students come back, helps them find jobs. Shao Wei is retired, now, but was very interested in this. He had a PhD from Peking University in education and

liked data, which is one of the reasons he liked me. I remember he invited me to a conference in Guangzhou and we were on a panel together, which he chaired. A Chinese researcher from the Guangzhou Academy of Social Sciences gave a talk about the role of the government in encouraging people to come back, saying the government does many things and has considerable influence. Then it was my turn and I said I had to disagree with this person. I said, “I’ve done a survey. And when I asked people why they came back, giving them a list of reasons to choose. And I said if you look at those results, for entrepreneurs, the main reason is the market; for many scientists, it’s their own institution that encourages them to come back—some come back for family, and some come back for different reasons. But the government’s role is not very high on that list.” This was back in 2000. A woman put up her hand during the Q&A period, saying “I’m puzzled. Here we have a Chinese man who’s telling us that the government’s role is really big, and here we have a foreigner who’s telling us that the government’s role is not so big. Who should we believe?” Shao Wei looked at her and said, “Go with the data.”

Henry Huiyao Wang: Now we’re in the 21st century and in recent years, the geopolitical situation has become very tense. But at the same time, China is now the world’s second-largest economy and we need more global talent. You’ve been studying the returnee phenomenon, what is your view? How can we maintain global talent flows, which are good for both developed and developing countries? How can we overcome the challenges and obstacles to this? We also see diversification in studying abroad, from most people going to the US to more people now choosing European or other countries, with many going to developing countries including ASEAN countries, Central Asian countries, and even African countries and India. So, do you think that will also result in more returnees? How long do you think that will last?

David Zweig: Well, I think the flow will continue. I think the circulation will continue. But as you said, I think that the global situation is complex. Now, in some ways, the global situation is bringing the Chinese back, right? The United States government under President Trump made it very uncomfortable for Chinese and some Chinese researchers to stay in the United States, which I think is a really silly thing to do because now the United States is recognizing that they need that talent. Now, President Biden wants to bring the chip industry back to America and suddenly they realize they need these talents. They need master’s level students and they need graduate students who can come and work in American companies, but at the same time, they’ve made it reasonably uncomfortable with some racism. Surveys have shown that Chinese Americans are pretty unhappy with their situation in America. Now, one of the questions is, will those people come back to China or will they move on to other countries? As America has made it uncomfortable, according to the data, the number of Chinese students coming to America is dropping even if the number of foreign students coming to America has recovered by around 3.8% in the 2021–2022

school year. The vast majority of them are actually Indian. The number of Indian students in America is up 19%, while the number of Chinese students is down about 8%, which is a real loss for the United States.

But whether the advanced talents will come back to China or not depends on the environment, be it the macro environment or the microenvironment. People will not come back if they think that they are not going to get the benefits that they have been promised. They will not come back if they feel that they have to watch their backs when working in a unit, or that maybe the boss has his own people in the unit that he's going to protect. Or if they go back to work in a university, is the president of that university going to promote his own PhD students? Those are the things that I think China should seriously think about. For that reason, I think that the more university presidents with foreign PhDs or overseas post-doctoral experiences, the more they will understand what a good, open environment for research should look like. Then that will improve the situation for people who are thinking about coming back.

The Future of US-China Student Exchange

Henry Huiyao Wang: I hope that the political situation won't interfere too much with normal academic and people-to-people exchanges, including the flow of students. As a think tank, we are still strong believers in student exchange, which I think would benefit China, the US, and many other countries.

Host: The China-US relationship is now facing a lot of challenges. Recently, President Xi announced that in the next five years, China will invite 50,000 American young people to China for exchange and study. What impact will this have on China-US relations in the future?

Mabel Lu Miao: For me, it was encouraging that President Xi committed in San Francisco to invite 50,000 students to study in China in the coming years. This would inject needed momentum into mobility, especially in terms of international education. I think China will honor its commitment and spur technological and educational exchange among young people in the coming years. In the past four decades, the commercial sector, multinational companies, and international trade may have been keystones of China-US relations, but for me and CCG, a very important finding has been the importance of people-to-people exchanges between the US and China as well as other countries. These are actually the true keystones of the geopolitical picture, of global peace and China-US relations. This sends a strong signal to the world that China will work with the US in the future.

At one point, China brought 3,000 Japanese students to China to strengthen communication and this has been a very important method for China to improve people-to-people exchange and to promote mutual understanding. Future generations will be an important part of the people-to-people exchange,

so attracting young people to study in China and know China is important. David is a typical example. In the 1970s, he studied in China and found his passion for Chinese studies and international relations, specifically in the field of returnees. Through this process, he came to better understand China and has played a significant role as the bridge between China and the rest of the world.

I would like to see more people stand out as a strong bridge and ambassadors between China and the US through the program you mentioned so that they can play a more significant role in world peace. This is a very important method and program. CCG has done many things toward this goal, including the GYLD program so that we can attract more young individuals to learn more about China through our activities and events.

David Zweig: I will say that it will be a challenge to get 50,000 students to come to China. It's a good goal, but I think it will be a challenge. I think that many of the people who come will be coming because they want to graduate and get a job.

I think one of the things that's important for young Americans would be to come and try and get a job. They hope to get to know China, learn the language, or even get a master's degree or MBA at a place like Tsinghua University or Peking University. These are very good schools here where they can get a degree and be able to understand China better. I think it's important that China creates an atmosphere that tells those young people that they are welcome here to study and get a job, and which shows that China is open to foreign companies.

Henry Huiyao Wang: President Xi announced that China would invite 50,000 young people to study in China while he was attending the China-US Summit in San Francisco. This is a major decision and a sign of tremendous goodwill of the Chinese people.

You said there are some challenges and I can understand that because we are now facing a tense geopolitical situation now. But China is a big market, the world's second largest economy, and is in great need of global talent. So the question is how can China achieve that goal in five years' time? China has 31 provinces and 3,000 universities, many of which are on the list of the world's top 100 universities. If some quotas are allocated to different cities like Beijing, Shanghai, Hangzhou, Chengdu, and Guangzhou, all those cities would have the initiative and enthusiasm to welcome foreign youngsters. And then, offering degree programs is not enough, they should be summer programs, short-term programs and they can provide even longer programs.

I remember President Obama used to talk about the 100,000 Strong Initiative, which planned to send 100,000 American students to study in China, but they weren't able to realize that. The peak number was 15,000. And now there are only about 800 American students studying in China.

I think this is a great initiative on the Chinese part to show welcome and hospitality and to send a signal to universities and companies across China that they should welcome American youngsters to China. It may be difficult,

but the two countries have hundreds of sister cities and strong links between NGOs, think tanks, and universities. If every party is mobilized to welcome their American counterparts, the goal might not be that difficult to realize.

David Zweig: I also want to stress that we are talking about Sino-American relations, but I think it's important to realize that there are other countries that have many students here. In the post-Covid era, the rebound of China did not happen at the pace that I thought China would have expected. For example, Korean students used to be the largest group of foreign students in China. They haven't yet reached previous levels.

Henry Huiyao Wang: Well, I think it's partly because of flight issues and cost issues. We have just stepped out of the shadow of Covid and I think the momentum is good. At least the top leadership of China called for and invited 50,000 students over the next five years, which is a good amount of time. Things will gradually change. It's also not just American students; China welcomes students from all over the world.

Mabel Lu Miao: From my observations, I find that the students are a catalyst for people-to-people exchange and improving China's relations with the rest of the world. We know the pandemic curbed people-to-people exchange and cut off communication on policy and many other fields between countries. But the problem lies in how to resume it. We should not only depend on the commercial sector, like resuming international flights. President Xi sent this signal to the world and it's a strong signal not just for the US but also for China's domestic market. All of the leaders and factors, from the top to the provincial to the municipal level, can be mobilized to do something to improve China's relationship with the rest of the world. It is a dynamic process that deserves more attention. That's why I want to stress the significance of this signal. Then we can see governments and departments at all levels and more companies implementing more policies in this field in the future.

This is my hope. China has its own political system and it can allocate tasks to local governments and different departments and issue more targeted policies to support the exchanges between students from China and the US I'd like to once again mention the history between China and Japan. We brought more than 3,000 Japanese young people to China when there were the same number of Chinese students going to Japan, which helped to restore the China-Japan relationship. I think we can still pool the strengths of Chinese local governments, departments, universities, and other institutions to attract more US students. CCG would like to attract more young people as well.

The Role of Foreign Graduates in International Relations

Henry Huiyao Wang: David, you graduated from Peking University and

many of your classmates are ambassadors, counselors, or even ministers. Jaime FlorCruz is now the ambassador of the Philippines to China, right? How important are student exchanges and studies in China?

David Zweig: One thing for me to do would be to have a meeting with my graduating class at Peking University. I can invite them here and see if they can say something about their experiences and opening up. As you guys were talking, I was thinking back to the 1980s. Times were pretty tough when we were students, and I just want to emphasize the changes that have happened in China over the last 40 years. When we came here as students at Peking University, for the first round of dinner, we could get a mantou, but if we wanted a second helping to digest the starch, we had to have a bottle of water. At that time, we had to have cornbread with no sugar and no flour.

That whole group of people knows the changes that have happened and we support an open China and our commitment is to witness an open China—a China that engages in the world. We also hope to see our own government engaging with China. I remember when they were building new dormitories in the 80s, we lived in Building No. 25 at Peking University, which was rough going, but then they built a really nice campus.

As you say, this is a country with a system where if the leader calls for something to happen, the locals are likely to respond. So hopefully when the locals respond, the foreign students who have their own agencies can make their own decisions to come and visit. Even short-term visits are always quite good because they can let you know what the place is really like and that maybe some of the publicity overseas is harsher than the reality. I think that China is moving into a new period with President Xi's announcement to invite 50,000 students to China. I think this will help to improve relations with the United States and I'm hoping that it foretells a better engagement with the world than that we've seen recently.

Host: We just talked about the impact of the pandemic on international people-to-people exchanges as we enter a post-Covid era. What do you think about the new changes in the role of returnees in this new era? How can they make better use of the advantages and contribute to China's development and international people-to-people exchange?

Henry Huiyao Wang: Actually, we divide contemporary Chinese returnees in into five periods and we are now in the fifth stage, which actually coincides with the 45 years of opening up. I see the role of returnees still being very significant, because maybe at the beginning when Deng Xiaoping called for opening up, we needed a lot of scientists and teachers. Later we saw a lot of entrepreneurs coming back. Now the number of returnees and Chinese students studying abroad has reached almost 10 million, which is a large number. But now we are in a more fragile geopolitical world with two wars going on—one in Ukraine and one in the Gaza Strip, which is in addition to very tense China-US relations. We're

becoming a multipolar world, but there's no multipolar system to support that.

So, a new task for returnees, international students and scholars is to have more people-to-people exchange, diplomacy, and understanding. Another thing that Chinese returnees can do is to promote movement at home and abroad. I was interviewed by China Youth Daily yesterday, and they noticed a phenomenon of movement among returnees both within China and in the international community. That means there are more Chinese young people, even if they are educated in China, now going to work in other countries and moving around the world. There are two million Chinese working in Africa and a good number working in Central Asia.

In this new era, in addition to making contributions in the scientific, entrepreneurial, and public domains in China, Chinese students have a new role, which is to promote more people-to-people exchanges among different countries to help improve relations and think about future global challenges like AI. They need to consider how they can be a part of a system that can really link the world together.

In this most recent period of Chinese studying abroad, we need more people to work on maintaining and repairing relations. We need them to be the ambassadors, connecting China and the outside world. That's probably a new role that I've found lately in our own experience. We have found there are more people who like to hear directly from people who have an international background. We need more and more people like that, which is why I strongly support President Xi's announcement to invite 50,000 American students to China. But naturally we also welcome thousands of young people from other countries to China.

David Zweig: You're talking about an added role for young people and I think CCG should think of this role. There used to be a lot of meetings between Chinese government officials and their counterparts from other countries. The people-to-people exchanges you have talked about have kind of dried up because of Covid. Now geopolitical tensions are making it difficult to get that restarted, though I understand the Biden administration and Chinese side have started to pick it up. But I think on the issue of talent, there needs to be dialogue. This is very important. Both sides recognize that there is a lot of misunderstanding and there are difficulties in the bilateral relationship. In many ways, it is students in the United States or Canada who are the victims. They are the ones who have really suffered from this difficult bilateral relationship as they really have an interest in some kind of dialogue. CCG is a second tier or "Track Two" organization and can find people to engage in dialogues. I know that the National Academy of Sciences in the United States is very interested in and trying to understand for itself how America can get more overseas talent to come and stay. I think there's an opportunity for more dialogue. I think those are the kinds of things that really need to be done so that we can stabilize relations.

Mabel Lu Miao: Mutual understanding is even more important than before.

People say it will be very hard to return to the golden era of China-US relations that we enjoyed over the past four decades, but I think we still need to think about and explore how to coexist with each other. This is the final point we have to face. The US and China have students studying in each other's countries, but there's a big difference. There are a lot more Chinese students studying in the US than there are American students studying in China. There are only a few hundred American students studying in China right now and the question is how to fill the gap. I think that explains why President Xi himself sent the signal to the US that we would like to have more American students study in China. As David has mentioned, we need more platforms like CCG to hold more organized dialogues. But who will do that? Today it may be Henry or me or our colleagues, but in the future, more efforts need to be made by people from some think tanks in the US. Some of them have knowledge of Chinese history from their studies and these experiences are very important for them as they've created people-to-people connections. They have a kind of chemistry with Chinese society and have been inspired by Chinese culture. The lack of understanding of and experience in a country often leads to a lack of confidence in communication, especially in a period of serious geopolitical tension. This is why we must have more students studying in China to build confidence and bridge gaps, using different platforms to move forward to the second track.

David Zweig: I think we have moved to the second track pretty quickly, to be honest. And I think that it's important for both sides to recognize that they need to do that. It's important that President Xi called for 50,000 students to study in China, but there also needs to be an effort on the Chinese side to initiate a dialogue about this. If you want to talk about the overseas students and the exchange, let's have a dialogue about it. You could get the support from Natural Science Foundation of China and the National Science Foundation of the US, which are two major funding agencies that are deeply involved in this process. We need both sides to be willing to carry out that kind of dialogue. Five years is a long time, given the tensions in the world right now.

Henry Huiyao Wang: Well, I think it's still a bright spot even though we have so many difficulties. But at least China has taken the first step to announce that. Of course, we need more dialogue not only among these foundations, but also universities, NGOs, think tanks, and even high schools. So there are many items on the agenda and different cities can have different plans. There are so many things to do, so let's try our best.

Future Research into the Returnee Phenomenon

Host: Over the past 20 years, CCG has continuously put forward new concepts about studying abroad and formed a new narrative about returnees. After so many years of development do you think you'll develop a full theory on returnees in

the future?

Henry Huiyao Wang: I think it depends on whether it is going to be a subject, but CCG has already contributed to topic of global talent with the first textbook in China on global talent that has been used in universities. I see returnees, overseas students, and migration as all part of a continuously developing theory. CCG is dedicated to researching this and that's why we're having this dialogue today. We want to emphasize global talent, global mobility, and global circulation are so important in an era of globalization, particularly in terms of people-to-people exchanges. We've just come out of Covid, which nearly stopped international exchange for three years, particularly in China. So it's of paramount importance that we revive people-to-people exchanges, whether they be educational exchange programs, tourism, or other areas. CCG is privileged to be the leading think tank on migration studies and student exchanges, which we've been doing for 20 or 30 years as our publications can testify.

To conclude, I think your question is very interesting. When asked about whether we have a continuous interest and whether this can evolve into a subject, I'm sure the answer is yes. David would probably agree with that. But we have to continue. We have published almost 20 blue books, supported by the China Social Sciences Academic Press. No other think tanks in China have done as many studies in this area as CCG and we want to thank our researchers, as well as the government, which has been very supportive, along with other international friends and scholars. We want to continue to do that and I think this is one of the areas that CCG has really made considerable effort. Our focus is to be more diversified, involving many areas such as globalization, global governance, international relations, China-US relations, and migration. Student exchanges and returnees are still very important as has been reflected on this point, given the critical stage of the 45th anniversary of opening up and the 45th anniversary of the establishment of China-US diplomatic ties. We are thinking about the role of returnees as their number has grown from zero to almost 10 million. Meanwhile, China had been welcoming half a million foreign students to China before the pandemic. That's an enormous force to change China, shape China, and strengthen China's relations with the US.

David is a good example of this. He studied at Peking University 34 years ago and is now a top expert on returnees. I want to conclude that this is a truly important area that we have studied seriously and will continue to do so. We feel very proud of that.

David Zweig: I would use this opportunity to emphasize the fact that we need to do more and we need to continue. As more people come back, we have to do research to answer the questions of why they come back? How is their life after they come back? What kind of situation they are facing? As I have mentioned in my own theory involving shortages and the environment, we have to improve the environment for people. But I would call on increasing the opportunities available for foreigners. I've been researching this for a long time and I hope that

I can be given the chance to keep doing this research to create what I can to help you build your theory and test my own views on this. People want to continue to be able to do research in China and I think it's important that we be allowed to continue.

Mabel Lu Miao: I feel very lucky to have found this group of people and I would like to express my gratitude to them, including students studying abroad and the returnees that have aligned themselves with the wave of reform and opening up, which marks a crucial and remarkable period for the world.

Looking back at the movements throughout history, I think what we can do as a scholar or think tanker is to emphasize the historical significance of this group of people. It's an important area of study for us as individuals, but also in terms of globalization and China's opening up. I think this will be part of CCG's legacy and for our studies on reform and opening up and globalization.

Host: Just to sum things up, talent exchange and cooperation between China and the United States seems to be very important for bilateral relations in the post-Covid era. Strengthening people-to-people exchanges is a good way to solve the current global challenges and we hope that research on returnees can provide a new perspective for people-to-people exchange in the future. Thank you so much for your insights.

The New Global Universities: Reinventing Education in the 21st Century

A Dialogue with Noah M. Pickus

David Qingzhong Pan and Noah M. Pickus

As the need for global talent grows and cross-border education becomes more diversified and more commonplace, new forms “global universities” have begun to take shape. These schools provide a wide range of educational options and environments for students that do not have the means to study in another country with an opportunity to get a global education right at home.

In this dialogue between David Qingzhong Pan, on behalf of Dr. Wang Huiyao who is currently on an overseas visit, and Noah M. Pickus, they explore the experience of Duke Kunshan University and other new international universities that are experimenting with new educational models to meet the need of today’s youth for global educaitons without the financial burden of traveling to and living in home campuses.



David Qingzhong Pan in dialogue with Noah M. Pickus at CCG's Beijing office

Noah M. Pickus is Associate Provost at Duke University and Dean for Academic Strategy and Learning Innovation at Duke Kunshan University. He has also served as Chief Academic Officer for Minerva Project, as Founding Director of the Institute for Emerging Issues at NC State University, as Co-Director of the Arizona State University-Georgetown University Academy for Innovation in Higher Education Leadership Intensive Program, and as Co-Director of the Brookings-Duke Immigration Roundtable. He is the co-author of *The New Global Universities: Reinventing Education in the 21st Century* (Princeton University Press, 2023), which is a chronicle of eight innovative colleges and universities in Africa, Asia, the Middle East, and North America, describing the combination of intellectual courage, entrepreneurial audacity, and adaptive leadership needed to invent educational institutions today. His previous books focused on immigration and citizenship, and he has written widely on innovation and globalization in higher education. He received a bachelor's degree in the College of Social Studies at Wesleyan University and a doctorate in politics from Princeton University.

David Qingzhong Pan is Executive Dean and Professor of Schwarzman College at Tsinghua University. His career has crossed over entrepreneurship and academics. He worked in four companies in the IT industry, serving as an Engineer, Director of R&D, VP, CEO and Chairman. After that, he served as Director of the Development Office of the School of Economics and Management, Tsinghua University. He also has taught courses including Managerial Economics, Corporate Governance, FDI and MIS, and has conducted research in the areas of corporate governance, corporate development, and Chinese economic history. He received his M.A. degree in Economics and Ph.D. degree in Finance at Tsinghua, his M.A. degree in Science at Stanford. He was granted various awards for scientific and technological innovation, and also was appointed as the "Jingshi Distinguished Professor".

Challenges and Solutions for Universities in the 21st Century

David Qingzhong Pan: What's the number one challenge for all of the universities mentioned in your book?

Noah M. Pickus: There are actually two major challenges. There's one to get started and then there's one to succeed.

The number one challenge to get started is that higher education is different from other economic markets. In other markets, if you have a better product at a cheaper price, you succeed. That's not the case in higher education. And the reason that's not the case in higher education is because nobody quite knows what the product is. How do you know one student is better trained than another student? It's a long-term process, so people use proxies. And the proxy that is used in higher education is prestige that is expressed through school rankings.

But what determines the rankings? It's all about reputation and prestige. It's very hard when you don't have a brand and you don't have prestige when you're starting out, so the first thing these schools had to do was how to overcome that.

The second challenge they face is that they have these big audacious visions. That's how they attract people and drive the energy, but sometimes they have to change course. Sometimes people who are good at coming up with great visions are not good at being flexible. The schools that have succeeded the best have been able to keep enough of the original vision, but also stay flexible. At African Leadership University, when Fred Swaniker decided that they were not going to build another 23 campuses even though they'd signed up for that. They wanted to build the Harvard of Africa and Fred had to say: we're not here to build campuses, we're here to train leaders, but we need to do it in a more cost-effective way and we're going to pivot. That led to a lot of people leaving the organization, so audacity and flexibility is the hardest trick for these entrepreneurs to balance.

David Qingzhong Pan: How can we keep that sustainability for the universities?

Noah M. Pickus: It's a huge question, because in some ways, the drive for lower cost has led to higher quality. Why? I'll come to the problem in a moment, but it helps to step back. You might wonder why lower cost would lead to higher quality? Well, the reason it does is because it forces these academic entrepreneurs to think differently about things.

So for instance, Olin decided they weren't going to have tenured faculty. This means that they have more flexibility and can count on the faculty to be more flexible and adaptive and there were enough faculty of high quality who were attracted to that—who wanted to do research—but didn't want to be pulled between their research and their teaching constantly.

The lower cost at places like Minerva and ALU resulted in much more inventive ways. If you look at most universities, there's a big catalog with thousands of courses—you get approved by the course committee and you're in. At Minerva, they felt they needed to have courses that connect to each other. In general, they felt they needed a smaller number of courses so that they can all be tightly connected to each other. The students still have choice, but the result is that the students get a more coherent education and the university doesn't have to staff a million different courses. It's similar to engineering in which you have parameters of design, which help you to shape in creative ways, and the lowering of costs really helped here.

Using Minerva again as an example, the challenge also comes when you're trying to make sure anybody can have access to this. Minerva, by offering this education originally at \$10,000, but now \$30,000, drew the most incredible students from around the world, but it turns out those are needy students, and Minerva doesn't have an endowment that it's built up over centuries. The sustainability problem is that it's hard to scale a single institution. And so I think what we're seeing is a kind of pluralism when institutions realize that you get

cost savings if you go to scale, but you can also simply have more experiments in more places around the world that can sustain themselves without always having to get big. Getting big is not bad, but it can compromise quality, and a thousand pluralistic Minervas and Ashokas can, I think, be the equivalent of 10 giant institutions.

David Qingzhong Pan: Traditional universities have three roles, one for teaching, one for research, and one as think tanks, or policy providers. How do the new era universities balance these three roles?

Noah M. Pickus: Most universities have to do these three things. You've got research, teaching, and various forms of social engagement, whether it's technology transfer or public policy engagement, or finding ways to serve society's needs. Meanwhile, these issues have gotten only more demanding, because the demands for research have gone up as have the demands for better teaching. In many countries, universities get turned to to solve all kinds of problems. These kinds of issues are very difficult and I think that if you look at that triangle, it's very hard for any university to maximize all three of those roles. At some it's hard to maximize two, but to some degree, I think that's okay. Not every university has to simply be a carbon copy of every other university.

For example, Arizona State University has done great work in improving their research in significant ways, and in creating access for many more students at a low cost while improving quality. I don't know that their quality is the same as Minerva, but they're working on all three. Even for large universities, I think the challenge is that even when we have faculty that are very research-focused, we still have an obligation to not put those faculty in the classroom to simply lecture. That would be malpractice and it shouldn't be allowed. They may not be the best teachers in the world, but they should not be the worst. You can incentivize and build cores of faculty, whether they have tenure or not, who are really leading and most engaged in students. I think existing universities can get this balance. It's not going to be perfect at any one place, and many of the schools we ended up focusing on—Yale-NUS and NYU-Abu Dhabi—really balance in Ashoka high-quality research and teaching. The other schools made a decision that if you really want the highest quality of education, you need to make sure people are not fundamentally focused on their research.

Technology and the Future of Education

David Qingzhong Pan: How are today's challenges like AI and big data changing the future's education?

Noah M. Pickus: I think there are two things going on there. One is structural, and one is educational. Structurally, established universities can't do what a new university does. They already have departments and faculty with research and

commitments. And they're doing great things.

David Qingzhong Pan: A lot of negative things as well.

Noah M. Pickus: Yes, but schools like PKU, Tsinghua and Fudan are doing remarkable things. Our universities are themselves complete ecosystems of innovation and I think what established universities can do is try to give permission for some parts of the university to experiment, to iterate, to prototype. Anyone who works in a university knows that if you have a new idea, you have to get it all approved before you've ever tried it. One thing I love about Olin is that if you come up with a new idea, you get two years to pilot it. Because who knows if it's going to work? And after two years, you come back to get approval. If you can give permission to faculty who want to iterate and prototype and experiment, you can create incubators on the campus to do that. And that has a demonstration effect, because suddenly the students start coming to all those places and other colleges start to notice that. So that's the structural part.

I think the educational part is, between AI and online technology, we have either a recipe for disaster or the kind of constraints that are going to actually power new educational innovation. So what do I mean by that? We know that AI is going to require students to learn much more authentic, individual skills than they've ever needed before, because AI will be able to do so much for them, so all those skills we talked about earlier are really underscored even more. But let's say you want to deliver this online. The advantage of online is that you can reach more people and it's more mobile. You could be doing an internship at CCG and taking a class in the afternoon with Fudan without having to fly back to Shanghai.

There's lots of ways to provide a more mobile, flexible education. The problem is that most of our educational practices are so bad that when we put them online during the pandemic, everybody saw it. They saw that courses didn't connect, that professors were boring, that there was no active learning, that students turned off their videos. It showed that the emperor had no clothes. Our education systems were rotten from the foundation and now that that's been exposed, the opportunity to do online is that you can bring much more intentionality. We can give professors some help to design an active, intensive, engaging, skills-based course that is not just made up of lecture notes from 50 years ago. That way, online resources can power better education to keep up with AI while still being engaged.

Cultivating Individuals - Making Masters from Students

David Qingzhong Pan: At Tsinghua, there's a former, former, former president called President Mei Yiqi who has a very famous saying: that "a university is not only about the building, it's about masters". So how can we find the masters?

Noah M. Pickus: Well, let me see if I understand the question. I was at Sustech in Shenzhen last week at a new university in China that was only 11 years old. I was struck by two things. The first one was, how many of some of the best practices I talked about had been built in from the beginning. As a new university in China, they were really understanding experiential education, skills-based education, and interdisciplinary education. There's a school of design there that really is doing enormously. I took a tour of the labs and the creative energy felt like being at Olin College doing engineering and design. It was fascinating.

The other thing that was fascinating was the global strategy they used to recruit international faculty to come. They're a new school, so they can't compete with Tsinghua, but they can get international professors - Chinese, non-Chinese, or worldwide. There's a worldwide race for talent here and they created opportunities for those faculty, lifting them up. My belief is that universities are like cities, which have coffee shops on the streets and there's people buzzing around with a lot of energy and there's excitement. It makes you feel creative. If you go to a city and nobody's there or everybody's indoors, then you don't get any energy back.

It's the same thing with universities where some of the best researchers in the world want to be surrounded by other creative people like a poet who's doing creative things even though it's completely different from their work in engineering because it's inspiring and it's engaging and it means that there's a whole cauldron of culture. We think that you need to attract faculty by just giving them a lot of money, which is true, as well as outstanding labs. But ultimately you give them that and then they'll go somewhere else. So how do you create a university that's like a city that you never want to leave? It's the ecosystem.

China has opportunities here. One of the great things about the US system is that it's very decentralized, which allows for experimentation. But one of the terrible things about the US system is that when you actually get a good idea, nobody else adopts it. China has 600 new universities that have started in the last 20 years. We've started a research project at the Institute for Global Higher Education at DKU to try to understand which one of them are doing innovative kinds of things. Which are imitating other universities and which are being more like WeChat and trying to leap ahead? This is why the opportunities to make systematic change are so much more possible here than it is in many other countries.

I remember being in Shanghai at a conference put on by the Chaoxing Group with universities from all over China. I was stunned. Every university stood up and said, well, we're doing "liberal studies", we're doing general education, we're doing interdisciplinary and we're doing experiential. Everyone had got the message. What is not clear to me is how much it actually changed and where the universities are that are really excelling in that; which ones are teaching "liberal studies", which means that you're studying economics and you have to listen to a philosophy professor lecture to you.

David Qingzhong Pan: What kind of students do you love most?

Noah M. Pickus: I love all my students. One of my students is here right now - Linda Zhang from Tianjin. She came to Duke University and graduated three years ago. She went on to work for McKinsey and now she's the chief of staff to a new university, the Nigerian University of Technology and Management. Then she's on her way to Stanford Business School. Our plan is to keep building these universities and this relationship that we've had for now almost seven years has really been driven by one thing: agency. I'm going to embarrass Linda a little, but she is passionate about change and she is motivated to want to learn outside. I've never had her in my classroom. We just worked on a series of projects outside the classroom, which have led to reports and publications, as well as new projects and the presentation you saw today. She was the research assistant on this book. At African Leadership University, their motto is "do hard things", an idea they're trying to instill in their students. I saw it when listening to interviews with students, how a student can come in and not think they can compete, not think that they're there in Nigeria or Rwanda or anywhere in many parts of the world. How do I compete in this global world? Silicon Valley seems like it's a long way away, right? And doing the hard things, picking a mission, not just a major, is really what instills a sense of agency. You see the students start to believe in themselves. We didn't have a single class together, but Linda's agency, her drive, my desire to engage, to mentor, to learn from her has led to a seven-year collaboration, and that's the most exciting thing that any professor can have.

Empires of Ideas: Universities, Exchanges and the Lessons they Teach Us

A Dialogue with William C. Kirby

Henry Huiyao Wang and William C. Kirby

Universities are places where ideas are created and shared. The global network of institutions of higher learning in today's world has created an environment in which there is greater access to information and the ability to exchange with people from a wide variety of backgrounds. This has created an "Empire of Ideas" that continues to teach us lessons on how to better manage our world.

This dialogue between CCG President Dr. Henry Huiyao Wang with Professor William C. Kirby examines the evolution of higher education systems in China, the United States, and Europe as well as future pathways to enhance national global influence.



Henry Huiyao Wang in dialogue with William C. Kirby at the Widener Library in the Harvard campus

William C. Kirby is Spangler Family Professor of Business Administration at Harvard Business School and T. M. Chang Professor of China Studies at Harvard University. He is a University Distinguished Service Professor. Professor Kirby serves as Chairman of the Harvard China Fund, the University's academic venture fund for China, and Faculty Chair of the Harvard Center Shanghai, Harvard's first University-wide center located outside the United States. A historian by training, Professor Kirby examines contemporary China's business, economic, and political development in an international context. He writes and teaches on the growth of modern companies in China (Chinese and foreign; state-owned and private); Chinese corporate law and company structure; business relations across Greater China (PRC, Taiwan, Hong Kong); and China's relations with the United States and Europe. He has authored or co-authored more than forty HBS cases on business in China, ranging from start-ups to SOEs; agribusiness and middle-class consumption; banking and microfinance; healthcare and education; corporate governance and corporate social responsibility; and the global strategies of Chinese firms. His current projects include case studies of trend-setting Chinese businesses and a comparative study of higher education in China, Europe, and the United States. His most recent book is *Can China Lead?* (Harvard Business Review Press).

The Origin of the University

Henry Huiyao Wang: We are here today on the Harvard campus at the Widener Library, the heart of Harvard University.

Bill, you've been with Harvard Business School for a long time and assumed various leadership positions. I remember when I was here 2011 as a Senior Fellow at Harvard Kennedy School, you were looking after the Fairbank Center and we had a chance to talk then. Of course, in the last 13 or 14 years, many things have changed, and your work is on China's business, economic and political development in an international context. You just came back from China and were telling me about how you've been teaching strategies for doing business in China, and quite a number of courses at Harvard Business School. Today I'd like to take an overview of the global situation, but I also really want to talk a bit more about your recent book *Empire of Ideas: Creating the Modern University from Germany to America to China*, which was published by Harvard University Press. Maybe you can talk a little about your latest book.

William C. Kirby: This book is an outgrowth both of my longstanding interest in China and China's development in an international context over the past several centuries but also comes from my own experiences as Dean of the Faculty of Arts and Sciences here at Harvard, which is about half of Harvard University.

The Germans defined the modern research university in the 19th century. Universities are more than a millennium old in the West, but the modern research university, like Harvard, or Tsinghua, or Fudan, is only about 233 years old with the first one founded in Berlin in 1810. The Germans defined excellence in the

19th century, while the Americans arguably took it to another level by the end of the 20th century. The question I am asking is whether or not Chinese universities will define global standards in the 21st century. And furthermore, in education, as in other areas, is the 21st century to be the Chinese century? So, this is a series of case studies of individual universities, German, American, and Chinese, as well as a broad overview of higher education in an area of enormous cooperation and competition right now, in particular across the Pacific.

I'm just back from China where I reengaged with our academic partners, knowing that any great university—I think here at Harvard, we're not a bad one—has to engage with the fastest growing system of higher education in the world in terms of quality as well as quantity, and that is, of course, the system in China. I met with my counterparts and with the leaders of a number of great universities including Peking University, Tsinghua University and Fudan University as well as others also in Hong Kong, to get a sense of how, after three years of Covid and this serious downturn in US-China relations, we can reset our partnerships for the mutual benefit of our faculty and our students, and indeed, of both of our countries.

Measuring Greatness through the Impact of Ideas

Henry Huiyao Wang: That's fascinating. I feel that you are probably the most authoritative and relevant person to also talk about education and the origin of the modern university. In your book, you talk about how universities started first in Germany. I know that you also speak German, French and other European languages. Then of course, you talk about Harvard itself in the US. We can see how the Harvard campus is filled with visitors on a regular basis and it's a center of knowledge as well as a model for many universities. But despite their shorter history, Chinese universities are also on the rise. If you look farther back, China has always had centers of study like the Yuelu Academy, but it's the modern university that has been the driving force of technology, science, innovation, and of course, leading hubs for R&D. How do you view the differences in European, American and Chinese universities?

William C. Kirby: The reason I call the book *Empires of Ideas* is to answer the question - what makes a country enduringly great? Is it the size of the economy? That's important. Is it the size of an army or a navy? That may be important. But the greatest countries that have upset global standards in multiple ways over the last several centuries have also been leaders in culture and ideas. You look at the Qing Dynasty in the 18th century in Asia, or you look at France in 18th century in Europe, or Britain and Germany becoming global powers in the 19th century, but also by the strength of their ideas, and particularly in the German case, the power of their universities. The United States has become the greatest center of higher education in the world for the moment, in part because we attract talent from all over the world, in our students and in our faculty, in particular. If we

were not open to this talent from all over the world, and if that talent did not wish to come here, we would not be doing so well today.

Today we are meeting today in Widener Library, the largest university library in the United States, and right outside this library is a stone stele that was given by the Chinese alumni of Harvard University in 1936, on the 300th anniversary of Harvard. Harvard is much older as a university than it is as a research unit and we were founded in the Ming Dynasty, although nobody at Harvard knew that. In 1936, this stele was dedicated by the representative of Peking University, Dr. Hu Shi, who came to Harvard and was given an honorary degree as the representative of Peking University during the anniversary celebration. The stele is inscribed with a message that it is learning, not the power of politics that makes a country great, and above all that a nation grows strong by attention to its culture, which in turn can become enduringly strong only by attention to learning or *Wissenschaft*, as you would say in the German case, the idea of learning as science. This is what has really propelled countries to the forefront of global influence over the course of the last several centuries. And no country knows this better in its long history than China that an investment in education is the surest investment one can have for the future of one's country.

Henry Huiyao Wang: You've really encapsulated the core competencies of a modern university and for me you've hit on a key word—talent. A university has to attract talent from all over the world and I think Harvard is probably the best example of this. You've been the Dean of Arts and Humanities for a long time at Harvard and you are very knowledgeable about how a university is run, its core key competences, and, of course, its talent. Harvard also has a very high percentage of international professors from all around the world. Maybe you can talk a little more about that as we sit in the largest university library in the US.

William C. Kirby: So this is actually very relevant to the current situation in US-China relations. For Covid and for other political reasons, the flow of talent across the Pacific has been somewhat interrupted. But a great university has to be a place where you attract talent from around the world. China has the great advantage of having not just this enormous and talented population at home, but the Chinese diaspora, which can come back and succeed in China while also welcoming international scholars as well. Sometimes the Chinese government is criticized, I think, wrongly, for its "Thousand Talents Program". When I was Dean of the Faculty of Arts and Sciences, I had a thousand talents program as well. I would steal faculty from anywhere. The job is to bring the absolute best students and faculty together. That's the most important job of a dean's appointment of senior scholars who can teach the extraordinary people who we're fortunate enough to bring to this university. And it's important that we be open to the world in order to do that.

When you think of why this matters, not everything keeps going up. Americans are doing well in higher education today, but there are many warning signs in the American higher education system, particularly in terms of the

decreased funding of public higher education in the United States. The Germans defined higher education for more than a century, from 1810 until about the early 1930s, and their influence was so broad. Harvard may have been around since the mid-Ming Dynasty, but it became a serious research university only by emulating the German model with the founding of our Graduate School of Arts and Sciences in the 1870s. Then other American universities all followed this model. You've probably been to Stanford University. Do you know what the motto of Stanford University is?

Henry Huiyao Wang: Well, I know they do a lot with innovation, with startups.

William C. Kirby: They do today, but that's not what their original motto was and still is today—"Die Luft der Freiheit weht". It's in German, so most people at Stanford don't know how to pronounce it. It means "the winds of freedom blow" and demonstrates how they are also modeled from their founding on a German experience in higher education.

But this is how things declined, too. The winds of freedom stopped blowing in Germany with the National Socialist seizure of power in 1933. The great University of Berlin, the model for all modern universities, was destroyed from within by the Nazis, and then from without by World War II. Today, every university wants to know where it stands in the global rankings. But if we had global rankings a hundred years ago of the kind that we have today, probably eight of the top ten universities in the world would have been German universities, and the other two would have been in Oxford and Cambridge without any American universities. Today, very seldom does a German university get into the top 50, whereas five Chinese universities have risen into the top 50. So it shows you that the world changes and it can change very fast indeed.

Henry Huiyao Wang: It's incredible to learn about the evolution of the modern university, and how it originated in Europe and spread to America, and now China. Higher education is one of the few industries in which the United States is still number one. Most of the top 50 or top 100 universities are from the US, but how long do you think the US can maintain that leading position? So what do you think about the dominance of the university in the US? One of the core competencies of the US is being able to attract talent from all over the world—most of the Nobel laureates work in the United States. Universities in China also have challenges. They produce around 12 million graduates a year, but youth unemployment is now about almost 20%. How do you think universities in Europe and China as well, can improve, and lead and develop together? How can we learn from each other?

William C. Kirby: A case study in my book that is the biggest warning sign for the American university system is the University of California at Berkeley. It is just one example of the slow-motion defunding of public higher education in the United States over the last several decades. Today, 44 out of 50 American states

are spending less per student on higher education than they did in real terms in 2008. Public universities are where 80% of American students get their education and if these great institutions, Berkeley, Michigan, University of Washington, and the University of Illinois, decline, I can guarantee that the great private institutions like Harvard, Yale, Chicago, and Stanford will also decline, because we compete for the same faculty, the same graduate students, and the same senior administrators. Competition in education, like in any business, is the key to excellence, and without it, you actually will decline.

However, I'm not one who believes that one country has to win and another one has to lose in any competition, whether it's in business, whether it's in semiconductors, or in higher education. No country, however, today, is investing more in higher education than China and no country has seen universities rise as rapidly to international recognition as China. And we think of this as happening overnight, but Chinese universities have a 130-year-old history, getting back to 1893 in the founding of what is today Wuhan University, the oldest Chinese university, founded by Zhang Zhidong as the Self-Strengthening Institute in Wuhan. These universities grew through the late Qing into the Republican period, and the Beiyang period. They thrived under the Nationalist government, survived the Japanese invasion and even survived the Cultural Revolution, which nearly destroyed education in China. Today, they are back, building on a strong foundation of pre-1949 universities, but also taking it to an altogether different level, in terms of their global capacities.

If you look to the long future, everyone worries about what will happen this or next or other year, but universities have to take the long view. They survive governments. They survive administrations. Harvard has survived. We were founded when this was a colony of Great Britain. It survived the American Revolutionary War, and indeed, part of the war was fought right here. Troops were billeted on the Harvard campus. Through the American Civil War and multiple American regimes, governments and administrations we have taken a long view as to where we will be and our long view is that engagement with the rest of the world is essential for the future of Harvard and for American higher education.

The leading Chinese universities all know this and they share the values of their counterparts in the United States and in Europe, but recently, three Chinese universities withdrew from global rankings in order to pursue what they called "education with Chinese characteristics". That's not a terrible thing, of course, and every country has its own characteristics, but that meant that they were no longer also comparing themselves and competing against the best in the world. That is not a good sign, I think. Self-isolation is basically a death sentence for universities anywhere in the world. If the Americans become isolationist in restricting scholars coming to the United States or if Chinese universities no longer compare themselves also to the best in the world, then we're all collectively in some trouble.

Germany, US, China - Influence and Impact of Universities over Time

Henry Huiyao Wang: You've vividly demonstrated how universities have developed, as with American universities learning from German and European universities, which are the longest-running institutions in the world today. We rarely hear about a company that's existed for several hundred years, but we regularly hear about universities that have been around for a couple centuries and are still going very strong. Harvard is a good example. I also want to echo your view that universities have to engage with the world and compare with the world and in the greater global environment—let's thrive, let's compete, and let's cooperate.

William C. Kirby: The person who articulated what a great university could be, better than any university president that I've ever seen, is Tsai Yuan-pei, who was Chancellor of Peking University during the May Fourth Movement. He said that students had to have an education with a worldview. He believed in following the German model of what the Germans call *Lehrfreiheit*, the freedom to teach, and *Lehrnfreiheit*, the freedom to learn on the part of students, and he brought to the Peking University campus great liberal intellectuals like Hu Shi as well as China's first Marxists in academic life like Chen Duxiu and Li Dazhao, so that the students could choose for themselves what to believe and learn for themselves how to be productive citizens for the new China of the 20th century. And what is today Peking University's great counterpart in the same city, Tsinghua University, was founded as a prep school to send Chinese students to the United States in 1911, the last year of the Qing Dynasty. Its first campus is beautiful and modeled on the University of Illinois at Urbana-Champaign. By the 1930s Tsinghua had become known as the greatest research university in China with its President, who was an American-educated scientist named Mei Yiqi, still known today as "the eternal President of Tsinghua University". He had come as a Boxer Indemnity student to the United States to Worcester Polytechnic not far from us in Boston. In this period of the 1930s and then during the war, he defended the values of academic integrity of learning, of questioning, even in a period of the greatest danger for the Chinese nation. I was very fortunate to be the senior advisor to Mr. Stephen Schwarzman, and to President Chen Jining, and then President Qiu Yong of Tsinghua University, in establishing the Schwarzman College, a college of global affairs at Tsinghua that is bringing the best and the brightest of the world from China and from around the world to Tsinghua University. And its aspiration is to be the Rhodes Scholarship of the 21st century. Today, American universities, if they remain strong, are strong to the degree that they are open to talent from around the world. We have benefited enormously in the early 20th century through the Boxer Indemnity Program and other periods of Chinese migration to United States by the talent that has come to our universities. For people who studies there, some will stay in the US, many will return to China. Today, happily, we still have some 300,000 Chinese students in American

universities. So now here's Tsinghua, founded as a place that sent Chinese away, now welcoming the best and the brightest of the world to Beijing. Their message is that why would a young student want to have a Rhodes scholarship? Why would you want to study in England—a cold, rainy, foggy, self-isolating island off the coast of Europe—when you could be in Beijing at the center of this great and global rising power? That's the ambition. Whether they succeed or not, we shall see.

Henry Huiyao Wang: Dean Xue of Schwarzman College is a good friend of mine and I'm actually a mentor there, taking interviews for them from time to time, screening the applicants. Stanford and Harvard all learned from German universities then Tsinghua and Peking University, as well as Yenching, then used the American model in the beginning. You are absolutely correct that exchanges between leading universities are crucial, attracting talent from all over the world, which is where China still lags behind the United States, not just the Chinese diaspora, but truly global talent.

William C. Kirby: It is a challenge, and the language issues are big. But so many courses are now taught in English and other languages at Tsinghua and Peking University so this can be overcome. But anything that stops the flow of ideas from one country to another is a source of concern and will lead to academic decline.

Henry Huiyao Wang: You've given us a lot of great advice on how good universities, a better education system, and a talent recruiting system can facilitate the growth of a modern university. You've been teaching at Harvard Business School for some time and I'm sure you've met a lot of Chinese students. Harvard has really been a harbor for Chinese students for many years and a lot of people have had good experiences here. The flow of Chinese students to the US is still going strong, but how do you view the performance of students from China and other countries? What is Harvard's secret recipe to attracting so many international students?

William C. Kirby: I think the recipe is really that these students who come to Harvard could go anywhere, so you have to attract them by being excellent. Harvard is a famous name, and the reputation of Harvard is greater the farther away you are from this city of Cambridge, Massachusetts. But we have our strengths, and like any institution, we also have our weaknesses. Most of the Chinese students who come to Harvard don't come as undergraduates. There's something about a graduate program that is different from undergraduate college. People are admitted to undergraduate colleges in the United States for all kinds of reasons - you're a good football player, or you're a champion fencer, or you're a chess wizard, or whatever, but also for very diverse points of view, which is an unusual thing with American higher education.

Henry Huiyao Wang: So you pay more attention to their personalities, character, their focus, and talents.

William C. Kirby: Yes, and we're always trying to bring the most diverse class possible to the campus, and have been expanding significantly our outreach to students whose families are not wealthy families, and to whom we give financial aid. A very significant 70% of our undergraduates are on financial aid. You don't have to be rich to come to Harvard. That's our message. But we have to keep repeating it and work at it.

The graduate school is different because it isn't a central admissions office. Every single department admits students purely on the basis of academic merit and promise, which is the most meritocratic part of American higher education. The fact that we have so many Chinese as the largest cohort of any international grouping here at our graduate school shows you that the education that these people have received in China is extraordinary enough that we want to bring that talent also here. The Trump administration tried to restrict this, but Harvard and other universities resisted. Now the Biden administration has been very helpful in bringing students over, providing visas, and so on.

What we have to work on now is the other side, which is the fact that there are almost no Americans studying in China because of the zero-Covid policy. There are around 290,000 Chinese studying in the United States and 252 Americans studying in China. It was never going to be as high a number for all kinds of reasons, including language, but the zero-Covid policy made it impossible for students to go. So, this year, for the first time, the Harvard China Fund that I oversee has sent 20-plus students to work in internships this summer in China. We also have an undergraduate student group that is sending a hundred students to work with Chinese high school students this summer. We're also starting a summer school program with Fudan University next summer. We are trying to bring our students back to China, but we have to push hard.

Henry Huiyao Wang: China is totally open now and we're welcoming all foreigners, with ten-year multiple-entry visas between China and the US all valid and applications open again. China's universities are geared up to welcome international students, particularly students from the US, too.

I understand you're also the head of the Harvard Shanghai Center, which has done a lot of activities. Can you tell us a bit about the Harvard Shanghai Center, for example, its purpose and how it facilitates exchanges between China and the United States?

William C. Kirby: So, this center was founded in 2010 and is in Lujiazui in Shanghai. It houses a research staff from Harvard Business School working on business school cases as well as faculty and students who come to work in China for periods of time. We have conferences and workshops, either in executive education for the Business School, or, much more commonly today, conferences on issues of public health, or from Harvard Law School, which has a disability

program that has worked very successfully in China. Virtually every school at Harvard University has hosted a program or more with our Chinese counterparts at the center. Through our Harvard China Fund, our academic venture fund, we give grants to faculty who work with their Chinese counterparts on issues related to modern China. They also give seminars and workshops at the center. Before Covid, it was very busy, but less so during the last three years, so it's our job to restart it. But we are looking also to expand our footprint elsewhere in China, including Beijing and South China to give the message that we are not retreating from China and would like to deepen our relations with China.

US-China Relations and the Importance of Exchange

Henry Huiyao Wang: I was at Harvard thirteen years ago and at that time there were really a lot of exchanges. Sino-US relations were really in great shape, but for the last five or six years, we've seen a decline in relations. Being at the forefront and teaching students how to do business in China and receiving scholars from both China and the US makes you an expert. So what do you think what went wrong? How can we at least maintain these people-to-people exchanges and leverage them? I was glad to see that Secretary Blinken and Secretary Yellen, as well as John Kerry and even Dr. Kissinger at 100 years old come to China. It's remarkable.

Can we really get things back on a stable footing? Of course, I understand we have to compete, but we also have to collaborate. I was talking to Graham Allison at the Munich Security Conference and he said we've heard too much about competition and not enough about cooperation, and we should at least hear the same amount. As a top expert on China, what's your overall assessment and where can we work together in the future?

William C. Kirby: Well, it is a very worrisome trend. Because there are certain outcomes that are the result of domestic politics in both countries. China moved rather significantly to the left, and under President Trump, America moved significantly to the right, and maybe over the edge of the right. You have a kind of mutual suspicion or mutual paranoia, which is not a good environment for policy making. Both countries have taken, I fear, rather too short-term a view towards their strategic relationship, which is the most important bilateral relationship in the world today. I fear that both are managing the day-to-day, week-to-week, month-to-month, and even year-to-year relationship by the kind of strategic vision, for example, that Kissinger had in his day.

It's difficult to see that from either side, quite frankly, at present, where this relationship is going. China will be here forever. The United States has been around for not quite as long as the Qing dynasty, but it has, I think, a very promising future. These two countries have enormous issues to solve, including climate change. Look at what has happened in both countries this summer. There's terrible flooding in Beijing, bringing unexpected turbulence of a natural

sort, but also in part man-made. These are the two greatest polluters in the world. Where is the collective responsibility? So far, neither side has stepped up to the degree that they should.

How do they solve the biggest strategic issue of East Asia, which in my view is not the Taiwan question? History has shown that this question may not need to be resolved in a fundamental way for people to cooperate and to thrive across the Taiwan Straits, but I worry deeply about the situation in North Korea. This is something that I don't hear my Chinese or American friends worrying about. I sometimes joke that the greatest strategic danger for China is nuclear weapons in North Korea, because you don't know where one of their missiles might land, and you're closer than anybody else. But if they continue to have nuclear weapons, inevitably South Korea will have them, then Japan will help them, and Taiwan could join in, which would be a geopolitical disaster for China. In a long-term strategic sense, how do both the United States and China work together to establish a more stable situation on the Korean Peninsula? A stable situation would mean that the American troops could leave South Korea, but I don't know what the solution ought to be. It's that lack of long-term thinking that makes us assume that worse things cannot happen, but I guarantee you worse things can happen compared to where we are today.

Henry Huiyao Wang: You've presented some very unique, insightful views on this. China has been growing and developing thanks to its open-door policy and embracing of globalization, the WTO, and exchanges with the world, which have made it the world's second largest economy and the largest trading nation of 140 countries, contributing to over one third of the global GDP. The US used to think that if it supported China's accession to the WTO that China would move closer to its system. But China is a big country with 5,000 years of history and its own cultural characteristics. If the two countries cannot converge, maybe we should see how we can work together and coexist peacefully, but this may take some time.

The last time I spoke with Joseph Nye, he was telling me that maybe by 2035 or 2040 we may return to a new equilibrium. As far as I can recall, no Harvard Professor I've talked to has actually been in favor of decoupling, but now we are talking about derisking. Similarly, nobody wants a Cold War and Professor Graham Allison has warned that we should find a way to escape the Thucydides Trap. I think the visits by senior officials to both countries could help to promote a better understanding. I also hope that at President Xi and President Biden can really meet again so that we can try to find a way to stabilize things.

So one of the questions I have is can we create a more multilateral system or a model in which both the US and China really accept each other and learn to coexist? This binary review of autocracy and democracy may not work because China has a different system. How can we peacefully coexist in the long run? Talent and student exchanges are still very strong, as is trade. Last year saw record breaking China-US trade numbers, but I know a lot of companies are not happy. 70% of Chinese oil depends on imports and China spends more to

import chips than energy. If the CHIPS Act banning the sale of high-end chips to China remains, then it will mean billions or even trillions in losses for US companies. Then their argument will be that they cannot support R&D without China buying their products. The reason Taiwan, South Korea, and Japan are the largest chipmakers is because they're close to China and they sell to China. However, China can also subcontract that manufacturing. In this light, this kind of decoupling or derisking is not really productive. As a professor of business, how do you think we can really work together in the 21st century?

William C. Kirby: I think it's very important to focus on those areas where we must work together, and on those areas where we absolutely can work together. There is a kind of mutual paranoia and fear that each side has a deep-hatched plot that will be to the detriment of the other side, but this is in the political elites of both countries, not so much in the general population. And public opinion is very malleable. 60% of Americans had a positive view of China before Trump was President. Now it's 80% negative. The damage that his administration did in this area is really incalculable.

But if you look again at the CHIPS Act in the United States, it shows that the United States has a foreign policy too easily defined by sanctions rather than by incentives. China has a foreign policy not defined by sanctions, but China has managed over the last five to eight years to antagonize almost all of its East Asian neighbors rather than being their big brother. Its relations with many of its East Asian neighbors are worse than they were ten or more years ago, which drives them more toward seeking help from the United States.

But from the point of view of business right now, we're in a situation in which local governments and provincial municipal governments in China are welcoming foreign business back in an aggressive way. And if you're an American company doing business in China today, your biggest political risk doesn't come from Beijing, it comes from Washington, because you don't know what the next set of regulations will be.

My personal view is that in multiple areas like technology and education it isn't true that one side has to win and another side has to lose. After all, the world leader in semiconductors is a company, not a country—Taiwan Semiconductor Manufacturing Company—an extraordinary company, built with government support in the 1980s. But it was a private initiative and entrepreneurship on the part of Morris Chang and others. Now, his successor, Mark Liu, has made it into a company that is unmatched in the world of semiconductors. They invest in mainland China and in the United States and have become a truly global company that is based in Taiwan. And yet, both sides, but more recently the American side, have restricted the freedom of that company in deciding where to invest next, hence this large investment in Arizona. At the end of the day, the United States, which today produces about 12% of its high-end microprocessors, will end up producing 15% of its microprocessors in the United States. Will that make us feel more secure? I don't quite get the policy. I think it does have some real strengths, but TSMC has to play the geopolitical risk of appeasing the

Americans while also maintaining their contacts throughout the world, including in mainland China.

Morris Chang is one of the most remarkable businesspeople I've ever met, and I have done three or four business school cases on TSMC. He was a Harvard freshman and when he was here he came to love English literature and he wanted to be an English major. But when he told his father that he wanted to be an English major, his father forced him to transfer down the river to MIT, to get a "real" education in engineering. That worked out very well because he is a remarkable talent and has built this company that faces considerable geopolitical risk. If the Americans and the Chinese really care about the global economy, they should care significantly about the prosperity of a company that has no peer in the high-end world of semiconductors.

We Are Better Together—combined development vs divisive sanctions

Henry Huiyao Wang: You're right, Morris Chang has made huge contributions to the global high-tech industry and the company that he founded, TSMC, is truly remarkable and created a very reputable global market that has thrived. Now they want to cut off China—its biggest market—which consumes around 30% to 40% of the world's semiconductors. That really hurts the bottom lines of all companies.

We're expecting Secretary Raimondo to visit China this month, which will hopefully give some clarification as to what can be lifted or stopped. There are 1,300 companies or individuals on the American entity or sanction list, some of which are in China. Maybe we could stop that or lift some of that. Maybe we could even lift restrictions on China's Defense Minister so he can talk to the US Secretary of Defense or those on the Hong Kong Chief Executive so he can attend the APEC Summit.

William C. Kirby: It's interesting. It has really gotten more than a little bit out of hand. Sanctions are what you do when you want to show an opinion and have some influence, but the number of cases where international sanctions have actually achieved their purpose is very few. South Africa under apartheid is one example of sanctions eventually achieving something. But look at the American sanctions on Cuba, which began in 1960. How successful have they been?

Henry Huiyao Wang: That's right. They're very counterproductive. Another example is, is of a research lab that plays a key role in stopping Fentanyl from coming into the United States, but it has been under sanctions. This has discouraged them and even paralyzed them from doing more. We should really abandon this practice of sanctioning on each other.

William C. Kirby: One company that I've studied very well is one of the greatest apparel makers in the world, a shirtmaker. It's called Esquel and is

headquartered in Hong Kong, but it produces in China. At its height, it made more than half of the high-end men's cotton woven shirts in the world, which were made from excellent Xinjiang cotton that they bought from Uyghur farmers in Xinjiang. But due to a very poor bit of research, they were, wrongly in my opinion, accused by some non-profit of using "forced labor" in Xinjiang, which they deny. I've actually been to the plant that was the target of the accusation, which is almost entirely automated, so I think it is a mistake. They want to get off the entity list, but they're on it and they've lost many markets around the world because of it. And they would welcome international visitors to come and look at the facilities and to judge for themselves, but then the Chinese side won't let international visitors come and look. So they're caught in the global tensions between China and the United States.

Henry Huiyao Wang: Yeah, we should have more visitors and I think Xinjiang should welcome all the visitors. Some ambassadors and journalists have gone, but we should welcome even more so that some misunderstandings and misinterpretations can be addressed. But Chinese companies sometimes also have a hard time in the US. For example, the ByteDance CEO was grilled for six hours by Congress because they were worried that TikTok posed some national security risk.

We know that Apple produces more than 90% of its iPhones, iPads, and computers in China and there is no national security issue. So maybe we shouldn't be paranoid or suspect each other so much. The industry knows what's best and they are going to stick to the rules and the regulations.

China's Ministry of Foreign Affairs actually proposed an eight-point data initiative that says Chinese companies operating in foreign countries are not required to and should not send data back to the Chinese government. If the Chinese government wants to have it, they should talk to the government of the relevant country. There are rules and regulations, but there hasn't been a lot of communication and people just see a few headlines and some news.

William C. Kirby: TikTok is one of these great examples. Just imagine that the two greatest countries in the world today having a dispute over a teenage video app as one of the central areas of confrontation. It's absolutely insane. Of course, TikTok is extraordinarily popular these days and several states have forbidden TikTok to be shown or used in schools. Public officials in different state governments are also being told that they can't have a TikTok account.

But I think this is an area where I would hope that we could see some real progress in the coming years—more Chinese private companies investing in the United States because many would like to. China is the global leader in battery technology with CATL, BYD and others. Ford has a licensing agreement with CATL, which is a very important step. If the Americans are going to move toward electric vehicles, we have to work closely with China and we should be welcoming Chinese automobile manufacturers to do EVs in the United States. I can guarantee you that if it were possible politically, any city mayor or governor

of any state in the United States would welcome Chinese investment.

Let me give you one example of a company that I know very well because one of my very first business school cases was on Wanxiang. Lu Guanqiu founded this company in 1969, at the height of the Cultural Revolution, just about the worst year in Chinese history to found a company. But he eventually started to make universal joints for trucks and cars. Ten years later, he got into the state and is now the largest auto components manufacturer in China, which is the largest automobile manufacturing country in the world.

Then he and his son-in-law Ni Pin invested the auto parts industry in Chicago, which was dying at in the first decade of this century, and they helped to revive a number of companies, saving tens of thousands of jobs, and also learning how to improve their own product back home. They now are making a hybrid sports car in California. When Lu Gaunqiu passed away about three years ago in Hangzhou there were memorial services for him there as well as Beijing and a very large one in Chicago overseen by the Governor of Illinois and the Mayor of Chicago, two people who mostly didn't agree on anything. They agreed that they wanted to honor Mr. Lu, who had invested so much in the Upper Midwestern economy and whose company, Wanxiang, had become a great corporate citizen. This is a model that other Chinese companies can follow. It's not easy, but the opportunities are here if the geopolitics can recede a bit and allow business to proceed on business terms.

Henry Huiyao Wang: That's the point that you've been raising. Right now we need to really boost the US economy and China wants to go global. In this area, particularly with pressure of climate change, clean technology that China has developed, including EVs, has made it the world's biggest manufacturer. You can see how successful Elon Musk is in China. Half of his EV cars are produced in China, and he's become the richest man in the world. You also mentioned Ford working with CATL, the biggest battery manufacturer in the world.

I'm a personal friend of Mr. Cao Dewang of Fuyao Glass, who opened a massive factory in Ohio. President Obama even participated in the creation of a documentary about it called American Factory. BYD is also doing well in the US as China's leading in the wind, solar, and battery sectors. In the face of climate change, the two largest emitters in the world, and China is even larger, we should have many things we can work on together between governments and companies in China and the US.

You mentioned Wanxiang in Chicago and we also have Elon Musk in Shanghai, which are perfect examples. We should have more of that. I noticed the administration is now talking about the "small-yard high-fence" concept with the yard getting smaller and smaller. Like Yellen said large businesses should continue investing.

William C. Kirby: On energy policy, both countries have different approaches. Of course, the rhetoric from the Biden administration and President Xi is all about clean energy. The reality is that China is the leader in green energy, but it's

also building more coal-fired power plants every day than any place in the world. Here in the United States, you have many people on the more liberal or left side of the political spectrum seeking more and more green energy. And yet many people, on the Republican side in particular, think we need to reinvest more in oil and gas and so on, also for energy security. So, you have conflicting views and conflicting realities in both countries.

Resolving Conflict and Restoring Peace

Henry Huiyao Wang: I think we should really have more discussions and I hope that COP28 and the recent visit by John Kerry can create more understanding. China has recently announced that it will not build coal fire plants outside China, particularly in Belt and Road countries. Domestically, there are some balancing issues, but I think eventually as clean technology develops, they should gradually phase out coal plants, which is really important for China.

You travel a lot internationally and China-US relations have become a major topic at all of the conferences and forums. Meanwhile, the war in Ukraine has been ongoing for the past two years and I said early on in an op-ed in *The New York Times* that China should play a positive, mediating role in the peace talks. Then we saw the Chinese government propose a 12-point position paper on that.

The US is working with NATO to provide support to Ukraine. What is your view on this and how China and the US as well as the EU can work together? Could there be a trilateral mechanism that really works on this issue in concert with the UN, or maybe even a seven-party talk made up of the P5 plus the EU and Ukraine?

China wants to see the peaceful end of this conflict. China hasn't really sided with Russia and hopes to maintain a neutral position, but in order to really convince both Russia and Ukraine, China can't take a 100% pro-US or pro-EU position. Do you have any thoughts on this?

William C. Kirby: I do have some ideas. The recent history of the United States is full of major foreign policy mistakes. Look at Afghanistan and Iraq, which came at a great cost to our country and those countries as well. I fear that the alignment of China with Russia during the Winter Olympics of 2022 was also such an occasion, given the long history of Chinese-Soviet relations, the very up-and-down history of Chinese-Soviet relations. But it was absolutely to the detriment of China's relationship with Europe, because two weeks after Mr. Putin visited President Xi, a war broke out. This caused people to believe that the Chinese side gave Russia a blank check to do what they wished. Not that they could stop it, but surely Mr. Putin would have told them what might happen.

The most famous blank check in diplomatic history was the one that Germany gave Austria in 1914 to deal with Serbia. And this blank check unleashes WWI. Blank checks are very expensive to cash and as it turned out two years later, the German general leading the war, General Ludendorff wrote to a friend about

Austria to say they were allied to a corpse. Austria, a little bit like Russia today, was a great and ancient empire that was having difficulty holding on to its periphery. Sometimes in the decline of empires in world history, that is when they are most dangerous, and here you see from one point of view, at least, Mr Putin seeking to regain territory that had been formerly part of the Soviet Union by invading a sovereign country that China also recognizes as a sovereign country.

China is now in a very difficult position because it believes in the sanctity of borders, national self-determination, the Charter of the United Nations, and that countries should not interfere in each other's internal affairs. And yet it has tacitly but not explicitly backed the Russian side in this, which has come at an enormous cost to China's relations with Europe because a large-scale war has been unleashed on the doorstep of Europe for the first time since WWII. This is a heavy responsibility on the Chinese side in my view.

Perhaps with that responsibility comes the authority to actually do something significant. I think China could be a broker of peace in this war. I think the Ukrainians have maintained very professional relations with China, which has also maintained professional relations with Ukraine. It will have a greater influence on the Russian side than any other country. If one is to bring this bloodshed to an end, it needs to be in a way that both stops the aggression, stops the killing and leads to withdraw while also addressing whatever security needs there are on the Russian side, which has not been particularly well articulated. But it is a terribly damaging war, mostly to Ukraine, where you see these beautiful cities being attacked and civilians being killed for reasons that really harken back to a war that happened more than 100 years ago.

Henry Huiyao Wang: It's very unfortunate and very tragic, and it's shocked the whole world. There hasn't been a war in Europe in 77 years and this is about the largest scale war that we've ever in the modern age. Now you see it on the television set every day and on social media. It's really affected everybody.

William C. Kirby: China today is, in my view, in the best strategic position of its modern history. There is no country that actually threatens China's borders today; certainly not Russia, not Japan, not Taiwan, not Vietnam, not India. There are tense relations with many of these, but no one actually threatens China's borders today, and China has prospered because since the end of China-Vietnam war in 1979, we are in the longest period of peace in East Asia since the Opium War.

That peace is the precondition of prosperity, which allows for investment from the outside into China. It also gives Chinese entrepreneurs confidence in their future and allows for Chinese governments to invest in the future of their country and in the infrastructure that has helped make China so strong today. And anything that endangers peace endangers everything. And this is why talk of war, wherever it is, whether it's in Korea or the Taiwan Straits, is dangerous because it increases the possibility of talking about it and preparing for it. The great British diplomatic historian, A. J. P. Taylor once said, that war is never inevitable until it

breaks out, but when it does you do not know what the consequences will be.

Henry Huiyao Wang: That's right. It is so devastating. And of course, the current generation has not experienced war—probably only their grandparents. I was visiting a senior official from the European Union in May with a row of senior officials of the European Commission on the opposite side. He said, look, our ancestors, our grandfathers, were all from different countries. We used to fight but now we are sitting at one table, so when we see a war broke out on our border, it is very dangerous.

China, as you said, is probably enjoying the longest period of peace in the last 75 years. China has a more than 4,000 km border with Russia and it used to be a big worry for China. Now Russia depends quite heavily on economic trade with China and I think China is in a good position. China is also Ukraine's largest trading partner and after the war, China could be the largest participant in rebuilding Ukraine.

William C. Kirby: Absolutely. That would be the best use of the Belt and Road imaginable.

Encouraging Exchange and Continuing the Conversation

Henry Huiyao Wang: That's right. Ukraine is a signatory to the Belt and Road, so I think there could be a way that the US, EU, and China could talk together, and then bring Russia and Ukraine to the table. Then if China were there as a neutral party, they may be willing to compromise and do something. At least we could start the process. China's soft power has increased after having brokered a deal with the Iranians and Saudis. It's getting there and maybe we can do that. Bill, Harvard has such a long tradition with China. You're at the Harvard Business School, but you used to be the Dean of Arts and Humanities. There are also a lot of other schools like the Fairbank Center, Yenching Center, the Harvard-Yenching Studio, and even the Harvard Kennedy School and Design School, all of which have a lot of connections with China, including the stele that Hu Shi donated here.

Since you're a leading figure in China-US academic exchanges, particularly those between Harvard and China, maybe we can conclude on the future of these exchanges and the activities of different schools. Are they still very active or how can they do more in the future?

William C. Kirby: They have remained as active as possible happily thanks to Zoom and other platforms over the course of zero-Covid. Our School of Public Health worked very strongly with China. Gerald and Ronnie Chan named the school for their father, the T.H. Chan School of Public Health here at Harvard. But our colleague, Winnie Yip, who runs the China program there, is extraordinarily active. She's in China right now working on issues of public

health, both in rural areas, which is her specialty, but the school also worked closely with Chinese counterparts in the first years of Covid on dealing with the public health response in China and elsewhere.

Our School of Design has worked extraordinarily well with local governments as well with firms on design issues and urban planning in modern China, actually, for more than a century. I once wrote an essay about how Nanjing became the capital in 1927 and we have the original city plan for Nanjing as the capital. It would have been a beautiful capital and is still a beautiful city today. Every school at Harvard has had engagement with China that's very, very important; and every school wants to continue. Our School of Education has wonderful Chinese graduate students who come on a very frequent basis. Right now, I'm editing a volume about innovation in higher education with my colleague, Howard Gardner of the School of Education and, of course, a number of these case studies of innovation are to be found in China today. We also have so much to look forward to. The Harvard-Yenching Institute, founded in the late 1920s, has brought so many generations of talent from China to Harvard, who have made a big impact here at Harvard and then returned to make an even bigger impact, we hope, back in China.

The reason I'm so passionate about re-engaging and deepening our commitment is this: I was a student of John Fairbank, who learned his Chinese history at Tsinghua University in the 1930s. He was a student of Tsiang Tingfu, the great historian who was educated on a Boxer Indemnity Scholarship at Oberlin and Columbia, and became chairman of the History Department at Tsinghua. Fairbank served in the consulate in the embassy in Chongqing during the war and came back to start China programs here. He had a strong sense of academic collaboration from the 1930s, and 40s into the early 50s. Then it was cut off by the Korean War on both sides, and it would not restart until the early 1970s.

He said to me once that one of his biggest regrets in his life, was the cutting off of these academic friendships and relations with Chinese universities and Chinese scholars, and he said this with great regret in the 1970s. I would say that we are determined not to let it happen again. We share, broadly speaking, the same values as our Chinese counterparts. For political reasons, there are difficulties on both sides in acting upon those values at times, but in the year 2013, Chinese university presidents from the nine leading universities in China, signed with the American Association of Research Universities, the British Russell Group, and the Australian Group of Eight, a series of principles about what are universities for. They are for freedom of research and teaching, they are for academic autonomy and self-governance, and they are for the creation of knowledge in an unfettered environment.

This reminds me of a very famous phrase at Tsinghua University. There was a scholar named Wang Guowei who committed suicide in 1927 as a protest against the nationalists. His colleague Chen Yinke wrote a memorial to him, saying that his was "a spirit independent and a mind unfettered". Those values are held dear at Tsinghua University and those are the ones that we hold dear here at Harvard.

And we need to act on them to the highest degree possible to increase our mutual understanding and our cooperation.

Henry Huiyao Wang: That was a great look back at historical inspirations and stories, which still inspire us to continue. I remember when I spent a year at Harvard Kennedy School as a senior fellow—there was really a lot of learning. The campus, the exchanges, and welcoming atmosphere for Chinese students were all incredible. I remember during that time there was another fellow named Pan Gongsheng and he was just promoted as Governor of the People's Bank of China, while another new fellow, Mr. Wang Weizhong, just became the Governor of Guangdong Province.

William C. Kirby: Exactly. Someone I came to know very well when I was working on Schwarzman College was President Chen Jining. I visited him in Shanghai recently, now that he is Party Secretary of Shanghai. He was, I think, one of the most amazing university presidents that I have ever met.

Henry Huiyao Wang: Yes. He got his PhD in the UK.

William C. Kirby: He is an extraordinarily talented and remarkable man, who assisted this program. But he was brought from Tsinghua to another government in just a short period of time. And of course, he's doing very well in Shanghai today. We would love to see him come and visit us here at Harvard.

Henry Huiyao Wang: It's really great that you've been leading these efforts and then promoting academic people-to-people changes between China and the US, including those between Harvard and many universities in China. It's truly remarkable. It shows me once again that we need to engage, not decouple and derisk.

William C. Kirby: When the program ends, maybe you can show the cover of my book, which shows a beautiful building on the Nanjing University campus - the great Northern Building of Nanjing University. It's in a beautiful Chinese style, built not by today's Nanjing University, but by Jinling University, which was a Chinese-American joint venture in 1919. The building was designed by an American architect, but in a beautiful Chinese style and that American architect was an ancestor of one of my colleagues here at Harvard, Professor Dwight Perkins in our economics department.

Universities including Harvard, have emulative architecture from different parts of the world, not least from Britain, but universities are both architecturally and intellectually international in origin, and we must always remember that.

Henry Huiyao Wang: Let's keep it international, keep it global, keep engaging. Thank you very much, Bill.

William C. Kirby: And thank you very much for the work that you're doing too for dialogue across the Pacific.

Platforms for Discussion to Navigate Storms of Global Discord

The goal of sharing of knowledge and exchanging of ideas is ultimately for the betterment of human civilization so that we can safely navigate the storms and pitfalls of conflict and discord that we inevitably fall into as human beings. Universities are centers of training and cultivation of these ideas and of future generations of global actors, but they are not the only platforms for exploration. In recent decades, the think tank has become an essential platform for discussing key global issues and providing policy suggestions to decision makers in both business and government.

The tradition of open discussion and the free sharing of ideas extend from the university into the 'real world' of practical application via think tanks and the various forums they hold and research reports they produce. These results are then be put into practice by governments and businesses to ensure that they safely navigate obstacles in international trade and geopolitical instability that are constantly challenging global stability and prosperity.

In the context of US-China relations, in which intergovernmental exchanges and discussions are infrequent at best, think tanks and other non-governmental organizations are key in ensuring that the reality of both countries reach the ears of their leaders. Communication and understanding are essential in decision making, especially in an era of increased nationalism, protectionism and xenophobia.

Open Discussion the Key to Peaceful Global Governance

A Dialogue with Justin Vaïsse

Henry Huiyao Wang and Justin Vaïsse

As with Confucius and Aristotle, the desire for an open and free discussion is the core to understanding each other and finding the best elements of our respective cultures and traditions to make the world a better place. Likewise, open discussion is a prerequisite to finding a pathway to peaceful global governance in today's fractured world.

During this discussion, CCG President Dr. Henry Huiyao Wang and Dr. Justin Vaïsse share insights on new paths and opportunities for the development of China-EU relations, multilateralism, and reforms in global governance.



Henry Huiyao Wang in dialogue with Justin Vaïsse at CCG's office

Dr. Vaïsse is Founder and Director General of the Paris Peace Forum, a leading forum on globalization that was established in 2018 and now has a huge global impact. He was the head of Policy Planning at the French Ministry of Foreign Affairs from 2013–2019. He also served as Director of Research at the Brookings Institution in Washington (2007–2013), with a focus on transatlantic relations and European foreign policy. A historian specialized in international relations and American foreign policy, Dr. Vaïsse has written and co-authored numerous books translated in multiple languages, and has held teaching positions at the Paris School of International Affairs of Sciences Po, and the School of Advanced International Studies at Johns Hopkins University.

Reaching a Higher Level of Convergence Post-Covid

Henry Huiyao Wang: I remember vividly when President Xi went to Paris in 2019, you were instrumental in bringing together President Macron, Chancellor Angela Merkel, and President Juncker for a global governance summit at Paris. You gave a very good talk just now about how we can safeguard multilateralism and have healthy competition while avoiding negative competition and increase cooperation as much as we can.

I know that you arrived today on a big flight with a lot of journalists, businessmen and NGOs accompanying Macron's visit, I'd like to start by asking what you think of the significance of Macron's latest visit with EU President Ursula von der Leyen? Furthermore, in terms of China, we just had the Spanish Prime Minister visit last week and a number of other high level visits. We also held the China Development Forum (CDF) and the Boao Forum, so clearly China is open for business.

Maybe you can tell us a bit about what you've seen and heard, and your thoughts.

Justin Vaïsse: That would be pretty much my first remark - that this trip by Macron and Von der Leyen really is the first major visit after Covid. I think it's really important, because direct contact, direct conversation between Europe and China, between France and China in particular, is really important. To that, I would add the importance of people-to-people contact. You've been a pioneer in that, after Covid and towards the end of the year. This is really important in taming competition and making sure that they're still understanding. I truly believe in people-to-people contact and while it won't solve everything or hasn't ever stopped wars from being fought, it helps.

The first time I visited China was a long time ago in the late 1990s, and I remember taking the train and buses as a backpacker, which is an experience that people should be able to keep doing. One of the problems now that I just

realized, and maybe CCG can do something about this, is that it's very difficult to pay now in China as a foreigner, since most of us use cash or credit cards, while pretty much all payment in China today is made through your smartphone. One of my worries is that this may limit the free movement of foreigners, including young students, visiting China. This is an important point to pay attention to. My second point is really about people-to-people contact. And then thirdly is the importance of triangular discussion. This face-to-face with the US is not sound. As an historian of US foreign policy, I know there is a tendency in Washington to have strong swings of mood, and right now the mood is pretty much anti-China and that's one of the few things that Republicans and Democrats can agree on now. So they're very grateful for China, because at least there's a dose of bipartisanship on that issue. But it's not really a matter to joke about and I think we should be very careful as things have been degrading. Recently we've kept this conversation open and I think Europe, by having a frank conversation with China as well as the US, can help in this regard. And the last point, I'd like to make is that it's important to talk about the things we disagree on. I hope this trip will create progress on how we converge on the issue of Russia's war on Ukraine, which is at the top of the diplomatic agenda and I think there needs to be convergence. There are many reasons to be confident that we can reach a higher level of convergence.

Henry Huiyao Wang: China's "cashless society" is moving so quickly. The President of the National Committee on US-China Relations recently came and he complained about the same thing, so that's something to think about and find a solution. I think your point about triangular discussion is very good. I think EU now is playing an enormous role and I've said for some time that we should have a G3 sort of mechanism. France and the EU play such an important role in terms of mitigating relations and even tensions between the US and China that this is very important. In terms of the Russia-Ukraine conflict, when Chancellor Scholz came, an understanding was reached that China and Germany said no nuclear war should be fought, which was a very strong message. I hope that this time, President Macron and President Von der Leyen's visit can see increased mutual understanding of each other's position so there can be a better dialogue to promote peace, including China's peace proposal, with our European leaders.

Driving Increased People-to-People Exchange

Henry Huiyao Wang: I've noticed that President Macron brought a very large business delegation with about 60 business people representatives. And he's not going to just be in Beijing. He's also traveling to Guangzhou. In 2019, he went to Shanghai Import Expo, which was the Yangtze River Delta, and now he's going to Pearl River Delta and the Greater Bay Area, indicating more potential for economic cooperation between Chinese and French or EU companies. Airbus and many other EU companies are in Beijing. What do you think about business

and economic ties?

Justin Vaïsse: I think there are two main points here. One is that it's definitely very important, not just for the prosperity of both parties, but also for the people-to-people exchange that it creates because business is, in terms of volume, probably the primary motivation for people-to-people exchanges. I think it should be encouraged and we should work on having as many rules as possible on both sides that are predictable and good. This said, the other point is that we shouldn't be under the delusion that this is sufficient. I think it helps and it's really important to promote it, but it's not enough. There needs to be a political and geopolitical discussion at the highest level to ensure that we cooperate. There are many examples of countries trading with one another, but still going to war. Europe offers several examples, including just before World War I when exchanges between Germany and the UK, or Germany and France, were really important. Trade by itself doesn't produce peace, but it helps so I think these should be sustained and made predictable so they can be a more beneficial tool.

Henry Huiyao Wang: You mentioned a deficit, or gap, in global governance, which is falling behind global practice. However, the Paris Peace Forum is actually making a big difference in this area. You talked about space governance at your event in last November, which was very impressive. I was actually with ten people from the space industry, including astronauts and experts, who were talking about how space governance can work.

But I'd like to ask about the Paris Peace Forum, which is very unique, but what is your overall vision and how can you reach the next level? You are pushing for better global governance and doing things that maybe the UN and other organizations are not able to achieve. The Paris Peace Forum is really doing great jobs in this area. How do you think we could collaborate in the future?

Justin Vaïsse: I think that's a really important domain. It may seem a bit far away for many of the listeners and people in the room, but I think it's very present. We depend heavily on satellites for our communications, for navigation, for earth observation, for weather forecasts, and for pretty much all of the things that we do. We need to make sure that we have rules in place that will ensure that we can enjoy it in the future, especially because countries from the Global South are also demanding that we don't pollute or spoil the place before they are able to enjoy these benefits. There are only about eight to twelve real spacefaring nations and so some of them are doing pretty well. The UAE, for example, have been doing a lot of work in space. You could say space is democratizing, but if we have too much debris in low earth orbit, there won't be space for them. This is why we've been pushing this initiative at the Paris Peace Forum, but I think we should think beyond this. Now that the moon is back in fashion with US astronauts, and then probably Chinese astronauts, going there, we should start thinking about the rules that we give ourselves in balancing competition with cooperation here again, to make sure that we are able to cooperate. We may not

necessarily operate jointly, but at least we have a good understanding on the moon, in terms of agreeing on a number of norms. One of the funny questions we have to ask is what time is it on the moon? Will it be American time? Of course not, but it's a serious question, because you need to make sure that you can coordinate with other nations that will want to have a base on the moon in 2030, 2035 or 2040. They'll need to agree on a few basic things, which includes calls for renewed cooperation. But we should be very careful and not think that it's science fiction. I'm a big fan of Liu Cixin and *The Three Body Problem*. He asked very good questions about global governance in the trilogy, which is, what do we do vis-à-vis an external threat? How can humans cooperate jointly to face challenges to all of them, not just to China, or the US, or Europe, but to all of them? For those who have read the book, the risk of an invasion is around 200 years from now, because it takes time to travel from the place where these extraterrestrial people are to the Earth. These are very concrete questions in terms of how we'll be using celestial bodies in the coming years, which requires more cooperation and I'm glad that the Paris Peace Forum will be doing more on that.

Henry Huiyao Wang: That's a good question—what time is it now on the moon? The World Biodiversity Forum which adopted the Kunming-Montreal Framework has done a lot of good things and shows we can work together. France has always led the way on climate change, reaching the Paris Agreement in Paris. I feel that climate change is the biggest and most urgent issue to tackle at the Paris Peace Forum, followed by infrastructure and, of course, the Global South. Will these still be points of focus at the Paris Peace Forum?

Justin Vaïsse: Absolutely. We'll keep focusing on climate and biodiversity, especially the oceans. The BBNJ Treaty will be concluded soon and is really important, but there are many other things. The poles are really important, as are the Arctic and the Antarctic oceans, and preserving those in the face of both biodiversity and climate, which are largely interrelated. We are also trying to drive change on more human or social problems like migration and global health. We know that Covid could come back and could be worse than what we've experienced and I'm not sure we are much better prepared than we were in early 2020, but there is a treaty in preparation that would provide, hopefully, part of the answer. But we'll need to do more and have more standing emergency resources at our disposal to fight pandemics, or epidemics before they become pandemics. But that calls for international cooperation, because no one has the legitimacy or the means to solve that question alone. Genomics is also a really important issue. A couple of years ago in China we had the first CRISPR—babies with genome modification—and that's something huge. We have to realize that we now have the means to control the evolution of our own species, which is not exactly the same thing as managing the oceans or climate. It's really about technology and what rules we give ourselves. It's also a question of importance that cannot be dealt with by the US or by China or by Europeans. We need to have at least a discussion around this about common rules and a common understanding of the

challenges. The Paris Peace Forum will also start thinking about this issue.

Henry Huiyao Wang: That's really fascinating. The Paris Peace Forum under your leadership has undertaken so many initiatives that are relevant and important to the well-being of the world and our society.

Navigating an Imperfect Storm: Think Tanks in a Changing World Order

A Dialogue with Richard N. Haass

Henry Huiyao Wang and Richard N. Haass

One of the most important platforms in the world today for driving discussion on key issues and providing critical information to decision makers in both government and business is think tanks. Since becoming a feature of the modern academic and political ecosystem, think tanks have grown and changed, but the tempest of dramatic change that the world is currently experiencing has created another challenge for think tanks as they navigate the changing world order. In this discussion, CCG President Dr. Henry Huiyao Wang and Dr. Richard N. Haass cover topics such as this history of think tanks around the world and in China, how they address important domestic issues, their role in US-China relations, and how they drive exchange in both academia and business.



Henry Huiyao Wang in dialogue with Richard N. Haass

Dr. Haass is a veteran diplomat, a prominent voice on American foreign policy, and a proven leader in foreign policy circles. He is in his 20th year as the President of the Council on Foreign Relations, which was founded in 1921 and is one of the first American think tanks. Dr. Haass also has extensive government experience. He was special assistant to President George H.W. Bush and senior director for Near East and South Asian Affairs in the National Security Council. Previously, he served in the Departments of State and Defense and was a legislative aide in the US Senate. Dr. Haass was also the director of policy planning for the Department of State, where he directed the policy planning and was a principal adviser to Secretary of State Colin Powell. He also served as US coordinator for policy on the future of Afghanistan and US envoy in the Northern Ireland peace process. Dr. Haass is also a prolific author or editor of 14 books on America and foreign policy and also one book on management. His latest books are *The World: A Brief Introduction* (2021) and *The Bill of Obligations: The Ten Habits of Good Citizens* (2023).

Insights into the History of Think Tanks

Henry Huiyao Wang: I know you wrote a piece about think tanks 20 years ago when you were in the policy planning department at the State Department, but think tanks these days are making a lot of headlines and making a lot of policy recommendations. Running a major think tank such as Council on Foreign Relations is such a great opportunity and what you've done is very impressive. And you mentioned that you have now 120 interns paid to work at CFR and you've actually made the council's 5,000 members much younger and diversified with a lot of women and minority representation. Maybe you can start with some thoughts on think tank management and the issues that think tanks face. How did you manage your think tank for the past 20 years? What is your secret to success in running a think tank?

Richard N. Haass: I'm happy to talk about think tanks for a minute, because I've been here for 20 years at the Council on Foreign Relations, but I also spent years at the Brookings Institution, at the Institute for Strategic Studies, and in London at the Carnegie Endowment.

I've spent probably 25 or 30 years in think tanks throughout my career and I believe that think tanks occupy an important place in the national conversation. On the one hand, you have universities, which often deal with more theoretical concerns. They're very concerned about methodology or quantitative analysis and they tend to be more removed from matters of policy. And then, on the other hand, at the other end of the spectrum, you have people in government or business. And to be honest, they are busy. I've worked for four Presidents, at the Pentagon, the State Department, and the White House. When you're in government, you have all these things coming across your desk, and it's your

challenge to keep up. I think it was Henry Kissinger who said that when you go into government, you no longer have the time to generate intellectual capital, because you're so busy, meeting the challenges that come into your inbox.

What I believe is valuable about think tanks is that they occupy the space between academia and state government, and think tanks have the time to do serious analysis. But they also have the responsibility and the obligation to produce what we call policy-relevant analysis. Think tanks have to produce work that explains what is going on or might be going on that is significant, and also where possible, think tanks must provide policy recommendations that could be of use to either citizens or governments. I think that's what makes them important and what makes them unique. In the United States, what makes a think tank unique is that you're producing intellectual work that is policy-relevant. We're also a place where you can train people. There are probably more than a dozen people in the current Biden administration who worked at the Council on Foreign Relations. You mentioned our intern program and over the course of the next decade we will train more than 1,000 interns, hundreds of young research assistants and associates, and hundreds of fellows. So, think tanks are in the business of producing ideas, but also of producing or developing people who can then assume more responsible positions in either government or business, journalism, or in the foreign policy conversation.

We're lucky here at the Council on Foreign Relations. We have our fellows producing books and articles. You mentioned Foreign Affairs magazine, which is the leading magazine or journal in the world. We also do it with meetings and we've also gone into the business of education. What we are trying to do is to provide educational materials for young people in high schools as well as colleges and universities in order to teach them about the world, why it matters, how it operates, and so forth. So I believe that think tanks have enormous opportunities, but also significant responsibilities.

Henry Huiyao Wang: I was reading a paper of yours from about 20 years ago called "Think Tanks and US Foreign Policy: A Policy-Maker's Perspective", in which you mentioned the five benefits of a think tank: number one is as an idea factory; number two, that it provides talent; number three is convening professionals; number four is to engage the public; and number five is to bridge differences. With your extensive experience running one of America's oldest and most prestigious think tanks and serving as a director for policy planning in the Department of State, how do you think think tanks can bridge differences today?

Richard N. Haass: Think tanks can bridge differences in several ways. One is through what it is they write. People who work here at the Council on Foreign Relations can put forward ideas or recommendations. They can do it in articles, say, in Foreign Affairs; they can do it in books; they could also do it in conversations like this. One thing we started about 10 years ago at the Council on Foreign Relations is something we call the "Council of Councils". What we've done is to bring together the representatives of two dozen think tanks around the

world where we discuss issues of global governance, how the world is tackling, or maybe should tackle, various global challenges. Think tanks can participate in Track II or Track 1.5 dialogues or have meetings like this one. On the person-to-person side, as well as the intellectual side, I believe that think tanks have an important role to play.

Again, I've been in government and I know when you're in government, you're busy and you're also under certain constraints because you have to represent official policy. When you're working in a think tank, you have a little bit more room to offer up suggestions. When you say things, it doesn't weigh official policy, so I appreciate the difference between when I used to be in the government, and I would be speaking for the government. Now I no longer speak for the government and it gives me a certain degree of freedom, because what I say may have less weight. On the other hand, it weighs the content in terms of good ideas. When you speak from a think tank, you have freedom and what therefore can be useful is these kinds of dialogues where ideas can be introduced. And if they are good ideas, then they can be brought into official channels. I think that is one of the ways that think tanks, as you say, can bridge differences and expose people in government to new ideas that they can then act on. So there are all sorts of ways in which outsiders can influence what insiders do.

Henry Huiyao Wang: I spent some time at Brookings as a visiting fellow, but that was over a decade ago. The rise of American think tanks was mainly over the last century, but think tanks in China have actually been developing rapidly in recent years, particularly in the last ten years. According to the University of Pennsylvania, there are about over 2,000 think tanks in the United States, while there are over 1,000 think tanks in China. I think we will see more think tank exchanges and dialogues. Your experience is very valuable and I'm sure that your ideas and the successful track record would actually inspire a lot of our colleagues and peers here in China.

The Importance of Addressing Domestic Issues

Henry Huiyao Wang: You've written quite a few op-eds recently including one in Foreign Affairs and also on Project Syndicate just a few days ago. We have seen a sharp decline in the world order, the causes and the consequences, and waning domestic support for the world order. The Russia-Ukraine war in 2022 will probably be remembered as an unexpected big surprise, but we also have many other challenges like the pandemic, which we finally see turning around. But again, can you talk a bit about your new book coming up?

Richard N. Haass: I've written many books, most of which are about either international relations or foreign policy, particularly American foreign policy, but this book is different. This is a book that's really about American democracy and aimed largely at Americans. It introduces the idea that if democracy is to

succeed, it needs to rest on a foundation not just of rights, but also of obligations. And by obligations, I mean that citizens of a country, citizens of a society, have responsibilities to one another as well as to their country. I define these as things that citizens should do. I distinguish between that and the things they have to do. Things you have to do are a matter of law. If you don't do them, you will face penalties. Obligations are something different. They are behaviors or attitudes that citizens, I believe, should define how they act towards one another and towards their country. What I worry about in my own country is I believe that we've become so focused on our rights that we've lost sight of our obligations. So I want to start a conversation in my country about how we can rethink American democracy. We're nearly two and a half centuries old and our constitution is about 240 years old. We've only had 27 amendments, but when the United States began 250 years ago or so, we were a country of 3 million people. Today, we're a country of 330 million people. We've changed in fundamental ways, so my argument is simply that if American democracy is to not just survive but to succeed and deliver for its citizens, it needs to evolve. Our attitudes in this country and our behaviors need to evolve. We had a terrible day here on January 6, 2021, where we had politically inspired violence. What I'm hoping is that we learn from that will be different behaviors and different attitudes that will make sure such things never happen again.

And I would say this is a domestic conversation, but it has real foreign policy consequences. The ability of the United States to act effectively in the world depends, in part, on there being social stability here at home. There has to be consensus to a degree here at home about our role in the world. So I think this conversation about American democracy, on one hand, is an internal conversation, but on the other hand, it's a conversation that has tremendous consequences for the other nearly 8 billion people in the world, because what happens in the United States has implications for the rest of the world.

Again, this is a very different book for me with a very different focus. Normally, I write about things like world order and US-China relations or the use of force for negotiations or global arrangements. Those are the kinds of things people like me normally think about and write about. So, what led to this book? When I speak publicly, I'm always asked—what keeps you up at night? What worries you? They would say, is it US-China relations? Or is it Russia? Is it North Korea? Is it Iran? Is it climate change? I say, look, all of those things worry me. Those are all big challenges. But I believe the biggest challenge facing my country, and probably facing other countries, is domestic right now. The same might be true of China. If countries are strong at home, it gives them the potential to act effectively in the world. And if they're divided or weak at home, then they cannot act effectively in the world. I won't speak for China, but I'll speak for the United States and I think that's true. We don't think of this as a national security challenge, but I believe it is actually a national security challenge for the United States to make sure that its democracy is robust and that it's conducted with certain constraints and certain rules so that we can bridge the differences between the United States and China, but we also need a mechanism for peacefully

bridging our differences here at home. And that's what I'm writing about.

Henry Huiyao Wang: That's a fascinating self-reflection on a country like the US, it's probably a bit paradigm shift, but I think that's true, as we all know, foreign policies start at the home. There are always a lot of things you have to think about yourself before looking outward. As you mentioned, I think China probably is experiencing some of that. At the recent 20th Party Congress there was a lot of talk about common prosperity and how we've lifted 800 million people out of poverty. Now, what about our 300 million migrant workers? We have a 400 million person middle class, but what about the 1 billion still not making it? If every country really starts to look at its own problems and concentrate on solving those rather than looking outward, we will probably have a better understanding. The January 6th storming of the capitol is something the US is facing, but China is now facing the challenges of Covid and swiftly making changes. Every government and every society has to really look at its own issues. But I have a question—30 years after the cold war, we'd like to see the world in more varied shapes and forms, but last year, President Biden held summit on democracy versus autocracy, which is a really binary view. China has a different style of democracy, a consultative democracy and a whole process of democracy and meritocracy. All officials have to be voted for to get promoted. So what do you think about this binary way of looking at the world? Can we just look more at domestic issues by ourselves rather than really looking at other countries? For example, China wants to avoid a widening gap between haves and have-nots where I think in some countries that may still be a challenge. What do you think about those issues? If we look more at domestic issues, we may have a better understanding and compare apples to apples instead of blaming others.

Richard N. Haass: Well, I'm not sure I agree. I'll be honest with you. I once wrote a book titled *Foreign Policy Begins at Home*. I had to remind people after I wrote that book that even though foreign policy begins at home, it doesn't end at home, it continues abroad. The image that I find useful is to think of national security as a coin with two sides; there's a domestic side and there's an external side, and I think both are critical for a country. China and the United States have fundamentally different political and economic systems; we have different histories; we have different values. I expect many people in China think the Chinese model is preferable. Obviously, here I think the American model is preferable for many reasons. We don't need to debate that. The question is, can we manage US-Chinese relations given these differences? That to me is the foreign policy challenge for both governments. And the reason I think it's a challenge is that it's not easy given these differences. US-Chinese relations have deteriorated significantly in recent years, but I still believe we have something of a shared common interest in managing our differences. And at a minimum, the two countries have a shared interest in not seeing the differences slide into conflict. And more optimistically, the two countries have potentially a shared interest in seeing the two governments cooperating where there might be some

agreement.

To me, that's the challenge for diplomacy. For the United States and China, how do we avoid the worst and somewhat more optimistically, can we at least build some areas of limited cooperation where it's in our common interest to do so? I don't know. You mentioned that during the cold war, the United States and China had a certain common interest in opposing the Soviet Union, which provided the impetus and rationale for areas of US-Chinese cooperation. Then when the cold war ended three decades ago, we had to find a new foundation for our relationship, which we largely found in economic matters. The whole idea was the United States and China would become economic partners. China would be a big market for American goods and investment and the United States would be a big market for Chinese exports. We would also become a source of technology that would help your development. Quite honestly, many Americans are disillusioned and very unhappy with the results. We had been hoping that this would lead to a China that was more open, politically, and economically, and more moderate in its foreign policy. Since I'm no longer a diplomat, I can be blunt, and quite bluntly, that this is not the China that we see. We see a less open China, politically, and economically, and more assertive in its foreign policy. So there's disillusionment in the United States with the course of US-Chinese relations.

So the question arises—here we are three decades after the end of the cold war—can the United States and China find a formula again for at least avoiding conflict, be it over Taiwan or something else? And ideally cooperate, for example, on a challenge like North Korea or Iran, or climate change, or infectious disease, or Ukraine? So far, the results are disappointing. We obviously just had the meeting in Bali between President Xi Jinping and President Biden. We have the upcoming trip of the Secretary of State Anthony Blinken to China. We'll see what comes of this renewed interaction and face-to-face diplomacy. That's where we are in our history, but I think we have to be realistic. It has been a disappointing few decades for US-China relations. The question is whether the two countries can turn this around.

US-China Equilibrium and a “Concert of Powers”

Henry Huiyao Wang: In the last three or four decades since China opened up, the Chinese economy has grown many times over. And over the last 75 years since the second world war, the Bretton Woods System that the US helped set up has really made the whole world prosperous several hundreds of times over. So in a sense, the globalization that we've seen in the past has worked relatively well for this global order that the US led since the second world. China wants to see this multilateral order continue and explore how to improve and enhance it. You mentioned the 21st-century “concert of powers” and dynamics of the US, China, and the EU; you even mentioned the notion of a G6 if the G7 becomes ineffective. We just had a G20 summit with face-to-face meetings, which is really

important. This Covid-induced isolation for the last three years hasn't really helped and has exacerbated tensions.

So what do you think about the future global order and how we can reach a new equilibrium? Today we're all looking more domestically and aren't really happy with each other's values, models, or development. But the whole world is better off with more trade and economic prosperity, which has lifted hundreds of millions of people out of poverty. What solutions do you see for the future global system, especially in light of the current Russia-Ukraine war? Can we have a seven-party talks or get the G6 you mentioned to "sit down and talk"? President Xi mentioned quite a few times that China is willing to participate in peace talks. I also wrote an op-ed in *The New York Times* in March this year about how China could play a more active role.

Richard N. Haass: So let me make a few general comments, and then one specific one. I'm worried about the state of the world order. It has been deteriorating in recent years. That's just a fact. It's deteriorating for several reasons. One is that we've seen the reemergence of serious geopolitics, including the blatant use of force in Europe with Russia. At the global level we've also seen a large gap opening up between global challenges and global responses. It doesn't matter if we talk about G6, G7, G20, or G83, it doesn't matter. The numbers don't matter. What really matters is whether the major countries see things similarly and are willing to act collectively. And quite honestly, you take the biggest immediate threat to world order, which is the Russian aggression in Ukraine, and it's disappointing. Quite honestly, China's no-limits agreement with Russia just before Russia invaded Ukraine was a disappointment. China continues to buy oil from Russia, allowing it to escape sanctions. But let me be fair and say that China has also, as I understand, not provided Russia with military support. That's welcome. China has expressed its concerns about any threat or use of nuclear weapons. That's a welcome development. But the most basic concept of international relations and world order is that force is not to be used as an instrument of international relations, particularly to violate sovereignty. That's what Russia has done.

This is by the way very similar to what Saddam Hussein and Iraq did in 1990 when they invaded Kuwait. Saddam Hussein claimed that Kuwait was part of Iraq and invaded it, making Kuwait part of Iraq, and then the United States, working with much of the international community through the United Nations, built a coalition that liberated Kuwait and reinforced the rule and the norm that territory should not be acquired by force. We haven't seen anything similar to that this time. Yes, the United States has worked with its allies, mainly in Europe, but the international response has been disappointing. I would say China's performance has been somewhat disappointing as well. If one looks at what just happened on climate change, the COP27 meeting in Sharm el-Sheikh in Egypt was to me almost a total failure in dealing with climate change and narrowing the gap between the challenge and global response. What happened with Covid was disappointing. We have something called the Non-Proliferation Treaty, which

North Korea withdrew from and is now increasing the size of its missile force and nuclear arsenal. That's disappointing.

I'm not optimistic about world order, simply because I don't see the willingness of the major powers to work together to promote it, even though I would argue it's in their interest to do. So the world quite honestly isn't quite ready for the idea of a "concert" that I put forward and we're actually farther away from it today than we were a few years ago when Charles A. Kupchan and I wrote that article. We don't have the luxury of giving up and we've got to continue to try to deal with our differences, but I think we've got to be intellectually honest that it's been a disappointing few years. It's the reason I would say it's essential that Russia does not succeed in Ukraine. Ultimately, I would love to see Russia reintegrate it into the world, but it's got to be a Russia that's willing to be integrated on terms that are consistent with the order, and that is not Mr. Putin's Russia.

The United States and China have lots to talk about, whether it's about how to deal with Ukraine or global challenges, or Taiwan. The question with Taiwan has been around for nearly half a century and the United States and China have managed to agree to disagree on Taiwan. We haven't solved the problem, but we've managed the problem. The question going forward is, can we continue to manage the situation in a way that's acceptable to all the parties? That, to me, is a realistic diplomatic challenge. It's not impossible and we've done it for nearly half a century. The question is, can we continue to do it even if there are areas where we don't disagree? I would hope so, because the consequences of a breakdown in our ability to manage the Taiwan situation would be terrible for everybody, for China, for the United States, for Taiwan, for the region, for the world.

I actually think the biggest immediate threat to order is Ukraine and what Russia is doing. And then I believe in the future, the biggest geopolitical challenge will be Taiwan. Meanwhile, I think the biggest global challenge will be climate change.

The Importance of Perspective in Views on Taiwan

Henry Huiyao Wang: Biden was actually talking to President Xi last November about the "five-noes", but the moment he went back, he said he would boycott the Beijing Olympics, while Putin said he was coming. I think there's some reciprocal on that for Putin to come to China in February to support the Beijing Olympics. The fact that China says "friendship has no limits" and is everlasting, or boundless, is diplomatic language they use very often. You are right that the Chinese defense minister said that China has not provided any material or military support for Russia, while President Xi actually told President Biden and Chancellor Scholz that China doesn't want to see any nuclear weapons being used. Those are very strong messages. During the Shanghai Cooperation Organization Summit, Putin was not happy, saying to President Xi that if he had

concerns about Ukraine, he would discuss them in private. You can see we're not really 100 % with Russia, but China is doing this because the US has made China enemy number one. I think China has been forced to get a little cozy with Russia, but this was not China's intention. I think the US has to think about what the most urgent issue is rather than forming an IPEF and alliances like the Quad and AUKUS, which are aimed at China. So I think this was probably a defensive move on China's part. We hope we have more face-to-face discussions with senior officials from both sides to clarify our positions.

You're also right about Taiwan as well, which I think is a dangerous issue now. Taiwan remains, in the last four decades since the Three Communiqués were signed, in more or less a status quo. But China's doesn't want to see a parade of senior officials from the US visiting Taiwan and the communiqués violated. These protests by China sending aircraft flying over the mid-line or doing military exercises, but there's one thing happening now. Recently there was a midterm election in Taiwan and the KMT swept almost all the mayoral seats and recognized the 1992 Consensus that there is One China across the Straits. There was economic integration and China sent quite a few million tourists to Taiwan every year along with a lot of cross-strait student exchanges and marriages. Taiwan enjoys the better part of the deal and economic integration will probably serve a peaceful unification. Rather than having senior officials from the US visit Taiwan, what do you think would be a peaceful prospect for Taiwan if we all back down and seek a peaceful resolution? The Mainland and Taiwan share the same language and cultural heritage, and we are relatives. I'm confident of a peaceful solution and it could be one country two systems, one country three systems, or whatever. So, do you think the US could be less aggressive on its Taiwan policy?

Richard N. Haass: We obviously see things differently there. From your point of view, it's the United States by what we're saying and doing that is challenging the status quo and leading the Mainland to react. We would see it the other way around. We see China changing the status quo in many ways through what it's saying and doing, particularly with its military forces. We see ourselves reacting, we also see ourselves acting consistently with the one-China principle with the Three Communiqués. You and I are not going to resolve that today. What matters, I would say, is that the United States and China continue to discuss this and set some rules for the road.

We don't have to agree, but we have to figure out how we agree to disagree and how we don't allow our differences to spill over into confrontation. I believe President Biden was right when he said the other day that we oppose unilateral actions by any party, be it the Mainland or Taiwan. That would destabilize the status quo that I believe serves everybody's interest. If you look at the last 40 or 50 years, you see the extraordinary progress the People's Republic of China has made, but you also see the extraordinary progress that the "Republic of China" has made. Whether it's the extraordinary progress in the region or the extraordinary progress here at home in the United States, I believe everybody

benefits from the ability to manage our differences.

I don't think we're going to resolve these differences anytime soon. You mentioned one country and two systems. I believe the prospects for that were significantly damaged by what happened with Hong Kong. Taiwan is a democracy and on a very different trajectory, but I believe people there understand that unilateral actions, such as announcements of independence, would be destabilizing. I don't know how to interpret the KMT victories in the recent elections, but I'm not sure they set a precedent for the presidential election in two years. I think the dynamics around elections for mayor are very different than the dynamics around the election of a "President". I'm not smart enough to know what will happen in two years, but I don't assume that what just happened locally will necessarily happen nationally, but we'll see in two years.

However, personally I want to avoid unilateral action and other actions that would destabilize the situation, however imperfect the Mainland sees this situation. I believe, if people act unilaterally or act coercibly, the results would be far more imperfect. I always try to distinguish in my mind between what I call "problems and situations". I don't know how this translates into Mandarin, but I see the Taiwan issue as a situation, not a problem as it doesn't lend itself to an immediate solution and instead I believe it lends itself to being managed. Sometimes in diplomacy, that's the most you can do and I worry that attempts to "solve" the Taiwan issue actually could do just the opposite. I think we have to continue to be realistic about what we can accomplish. However frustrating or imperfect the status quo might appear to be from a particular vantage point for those in the Mainland who want Taiwan and the mainland to be one or to those in Taiwan who want independence, attempting to bring about these alternatives, I believe, would set in motion a chain of events that would be extraordinarily costly. I come out in favor of managing a situation rather than solving a problem as the best way to understand the Taiwan issue.

Henry Huiyao Wang: You've stated your view very clearly and I think the people on either side of the straits should have the wisdom to manage the problem there. I see it a little differently. For example, during the first term of "President" Tsai Ying-wen, the midterm was also swept by KMT. However, the second presidential election was at the peak of the Hong Kong crisis and she was elected because Hong Kong was in chaos. Now that Hong Kong is back to normal I think things will get better. The PRC central government has said that if Taiwan is reunified, it doesn't have to pay any tax to the central government, which is why I believe economic power may in the end prevail. But again, I think President Biden actually said it very well during a press conference after he met with President Xi when he answered a questions saying that he didn't think the Mainland was going to attack Taiwan. Many companies had put their plans on hold because they were worried the next war after Ukraine would be Taiwan. I'm sure President Xi has convinced President Biden that China will not imminently attack Taiwan. They were saying next year or 2027, but it's not so immediate anymore. We should really concentrate on peaceful solutions and, especially

with stability in Hong Kong, I hope that it will happen in two years or so. The Mainland government also announced that it is going to open the traffic between coastal Fujian and Taiwan. Hopefully, we will not see any more American congressmen visiting Taiwan again anytime soon. That would really make things worse.

Richard N. Haass: My guess is that it will happen again. I simply look at what is being said and I think that's inevitable. I don't know if it'll be the new speaker of the House, but I look at what is being said in American politics and I think one has to assume there will be future visits, which will be judged as provocative in Beijing on the Mainland. The question then is, how do we manage this? Given the American political system, the executive branch cannot prevent the legislative branch from doing certain things, which means there will be visits by congressional leaders and there could be visits at some point by candidates. The choice of the Mainland then is how to respond to it. I would simply argue that the response needs to be measured because the last thing we want to do is trigger a larger crisis. These visits do not change US policy however unwelcome they may be viewed from Beijing and what matters is official policy. President Biden has made clear that the United States continues to act consistent with the Three Communiqués, supports the one-China principle, and visits by congressmen or congressional leaders don't change that.

I really believe the government in Beijing needs to not overreact, no matter how unhappy it might be, but that is your choice you're going to have to. Your government will choose how it reacts to such visits that it sees as provocative and others are going to have to decide how we react to your reactions. That's simply a fact of life, but we shouldn't kid ourselves. These visits and statements are not going to disappear. They're predictable. I think everybody ought to think hard about how they manage them, so the results don't get out of hand.

Henry Huiyao Wang: I think that we have to manage that. If the US is always proactive and China's always reactive, things can really escalate. So let's calm down, and hopefully, when senior officials meet, they will try to figure out what to do. Congressmen and senators should also visit China, rather than just Taiwan.

Richard N. Haass: I would love for more congressmen and senators to visit China. I think it would be really healthy for them to go there and have conversations with officials and other parties. I would welcome that. I would think that would be a healthy development that they would see more parts of the region for themselves.

Resuming Dialogue and Leveraging Existing Institutions

Henry Huiyao Wang: Now after three years of isolation and not communicating, we have Secretary Blinken coming and hopefully the USTR,

Secretary of Commerce, Secretary of Finance and others in the future. This could also include Chinese NPC members visiting the US. Resuming those dialogues is very important.

Richard N. Haass: I hope leaders of think tanks will also be welcome in Beijing. I look forward to it. This is the longest I've gone without visiting China in my modern adult life. It's probably been three years because of Covid. It's frustrating because every time I go and I have conversations with people like Wang Yi or Yang Jiechi and others and it's important for people like me to have contact with their Chinese counterparts. It's the way to get an understanding of what is going on. I don't think it's healthy for the relationship that we haven't had many contacts face-to-face for three years. I'm not naive, but I do think it will be a positive development.

Henry Huiyao Wang: I think that even after meeting for the first time in three years, President Xi and President Biden have had better results than when they didn't meet. We welcome you back to China. I saw you a few times with Dr. Kissinger during those talks and he still wants to come back even though he's something like 99 years old.

Richard N. Haass: He's going to turn a hundred in about six months. You'd better get that invitation there.

Henry Huiyao Wang: I think we can talk more about that later, but just one or two more questions on global governance. You are running a very big global think tank there. You talk about global solutions and we've discussed diplomatic relations and how we can get through challenging difficulties. But what about the economy? What about CPTPP or BRI and Build Back Better? Can they work together? Also the World Bank and AIIB? What are your views on these economic frameworks?

Richard N. Haass: I'm a great believer in regional and global economic institutions. I believe if you go back to the period after World War II, what began as the General Agreement on Tariffs and Trade became the World Trade Organization, which I believe was an important engine of global economic growth. I believe that institutions like the World Bank and the IMF have been for the most part helpful. I worry now about the failure of the World Trade Organization.

I disagree with my own country's decision not to enter what was TPP and now CPTPP. I believe that we should be a member of that. I worry about the elements of what you might call deglobalization. I think that's unhealthy, but I understand why it's happening - political reasons, Covid reasons, other supply chain reasons, and security reasons. But I'm concerned about some of the implications. I would like the United States, as I said, to be more active in regional economic relations. For other initiatives by China and so forth, a lot depends on the terms but I

believe that regional infrastructure programs need to be done in a way that does not increase the debt burden on participating countries and is consistent with sound climate and energy policies. I don't get up in the morning saying, how do I keep China outside of certain things? The question is, can we cooperate on terms that both governments could agree to? I would like to see the United States do much more in Africa. We have a summit going on just now with African leaders. I would like us to do more in terms of promoting infrastructure and development around the world through trade, through investment, through finance. And again, I'd like it done in a way that encourages responsible climate stewardship while at the same time encouraging growth. I think that's possible.

I think we also have to be willing to share technologies. We've done it in certain areas with drugs. For example, when HIV/AIDS was an enormous problem, the United States was willing to make available certain drugs and we've saved millions of lives in Africa and around the world. I believe there are mechanisms for sharing technologies that can protect the investments of the firms that did the innovation and at the same time can make the benefits more widespread. I'm not opposed to US-Chinese collaboration. The question is whether we can agree on the terms of that collaboration. If we can, great, if we can't, China will have its initiatives, and we'll have our initiatives. And we'll simply see which initiatives the countries of this or that region find more attractive.

Henry Huiyao Wang: I think we need more joint initiatives. There is a consensus now on climate change, that we are facing a common threat. China was forthcoming and set up the goal of reaching a carbon peak before 2030 and become carbon neutral before 2060. There is already a consensus and I'm glad that at COP27, John Kerry and Minister Xie met, resuming their dialogue on climate change.

Richard N. Haass: I wasn't very impressed with COP27 quite honestly. When I look at what happened there, my takeaway from COP27 was that I'm not very optimistic about climate diplomacy. I believe that if the world makes significant progress on climate, it's more likely to come from technology than from diplomacy. It will come from the development of new technologies, whether it's renewable fuels or a new generation of nuclear plants. Carbon capture technology is widely available. There was a big article in The New York Times about India's path towards economic growth and how dependent it was not just on fossil fuels in general but on coal. That's quite honestly terrible for India and terrible for the world. This shows the challenge of developing new technologies in the area of renewable or fuel efficiency, even using fossil fuels (i.e. using natural gas and not coal) and then making these new technologies, these new techniques more widely available, as well as the financing, globally. I'm not very optimistic about what the diplomats will do, but I am pretty optimistic about what the scientists might do.

Hurdles and Advances in US-China Business Exchanges

Henry Huiyao Wang: This is true for business too and it goes back to your original statement that big countries have to work together, particularly in terms of climate change. The US and China are the two biggest carbon emitters, but China has harnessed a lot of clean technology like EV cars and solar panels, wind power, and hydropower. Tesla is a success story in China-US corporation, becoming the largest producer of clean vehicles in the world, half of which are exported now. That technology can benefit other countries as well. We need goodwill and a political determination among world leaders, particularly the US, China, and the EU to really work together. There are over 1,000 Chinese companies currently on the US entity list, whereas almost no US companies are on the Chinese list. We don't want to see decoupling happen. We hope that the WTO can be revived and that the US can come back to CPTPP so China and US can talk on that platform. Maybe the US can even join the DEPA (Digital Economy Partnership Agreement) and IPEF (Indo-Pacific Economic Framework for Prosperity). Let's make more economic alliances rather than security alliances.

Richard N. Haass: I think China is going to have to make some decisions about whether it's prepared to respect intellectual property, which is often violated. China is also going to have to be more forth coming about the uses China makes of certain technologies, whether domestically or internationally. Plus, the question is, how do we manage areas of cooperation or sharing, given the reality that we are competitors in many areas? It's complicated, but I think it's not just a question of promoting more collaboration. There will only be collaboration if we agree on the rules of the collaboration and if the context is stable. If we can't agree on the rules of the collaboration or the larger context of the relationship is problematic, then it's not going to happen. That's simply a fact of life. Sorry to introduce a degree of realism, but that's where we are.

Henry Huiyao Wang: You've been very frank. It's worth pointing out that China now is the largest patent applicant in the world and, in the last three years, China has made a lot of progress. We hope the US can see that because there's a lot of motivation for Chinese companies to safeguard their intellectual property rights, possibly even more compared with their counterparts in the US.

Richard N. Haass: That would be great if China becomes across the board much more protective of patents and pro-intellectual property. I think that would be a healthy development. And I think that would be one of the things that would contribute to an improved economic and possibly even political relationship. Right now, in the United States, you have a lot of disillusionment with China 20 years after the United States supported China's entry into the WTO. I'll be honest with you and say there's a lot of regret about that. People feel that China uses that relationship to access certain technologies that help China's economic growth,

but we didn't see either respect for the technology or the patents, nor did we see the kind of behavioral changes we wanted. So, if there's going to be economic cooperation going forward, people are going to have to be persuaded that it will be different going forward than it was over the last two decades. We don't need to debate the past. I'm just saying that's the way it's perceived here.

Henry Huiyao Wang: I see you certainly have a lot of concerns there, but again I think in the end, we have to learn how to coexist peacefully and maybe accept each other as we are. China has its own path to modernization, which is basically a hybrid economy. The private sector generates 60% of GDP and another 20% in the state sector does social welfare and corporate responsibility, while another 20% is made up of multinationals that employ 40 million people in China: Foxconn alone employs 2 million. This kind of hybrid, trilateral economy is not found anywhere else in the world, but it's really good for China. The fact that China is not exporting refugees, not exporting hunger or things like that is due to the success of WTO and that's the good for the world. I hope we can live peacefully together.

Richard Haass: Hopefully, we can. I think China's economic accomplishments are impressive and real. I have my own view that United States policy should not be predicated on the notion of changing China's nature. I believe that's for China to decide, but it's legitimate for us to try to alter China's behavior and its foreign policy. To me, that's what foreign policy is all about and diplomacy is one of the tools towards that end. So we want to encourage certain forms of Chinese behavior. We want to discourage other forms. That's a legitimate goal for China foreign policy when it comes to the United States. My view is we have to accept our differences. We may be critical at times because we may speak out about it for reasons of principle. But I don't believe that as a rule, we ought to allow those differences to preclude cooperation in foreign policy, and that's what makes me a realist. Not everybody agrees with me, but there you have it.

Henry Huiyao Wang: I think we're having a fascinating discussion and a truly open dialogue, which I hope prompts more cooperation, talks and face-to-face meetings so that that we create better understanding. It's been a several years since we've been able to physically visit each other's countries. I was in the US in July and I was overwhelmed by the curiosity about China, which also wants to see more Americans come, whether it's students or tourists.

You're a leader in the think tank community and Foreign Affairs is a very influential magazine. You've given us a lot of good suggestions. Let's continue to talk and create a truly multilateral system where we can discuss all of our differences and create a better world for the future.

Richard N. Haass: I expect some of the things I said might have not necessarily made all your listeners happy, but I appreciate the opportunity. I also appreciate the stability of the exchange. Whether we're talking domestically

or internationally, it's important to be able to conduct these conversations in a manner where disagreements don't lead to a shutting down of the conversation, much less to violence. I look forward to a conversation in person next time I come to your country.

Advancing the 2030 Agenda in Uncertain Times: Sustainability and the Quest for China-US Cooperation

A Dialogue with Henry M. Paulson, Jr. and Wang Shi

Henry Huiyao Wang, Henry M. Paulson, Jr., and Wang Shi

The quest for global sustainability is one that requires cooperation, especially from major powers like China and the United States. The current instability and disagreement on climate issues is making sustainability difficult to achieve. The lack of cooperation between major powers like the US and China is putting the 2030 Agenda for Sustainable Development at risk and we must reassess strategies in ensure sustainable development for generations to come.

With less than ten years left to meet the targets date of the 2030 Agenda for Sustainable Development, the world needs to pick up the pace and put greater effort into finding better solutions. These and other topics were touched upon by CCG President Dr. Henry Huiyao Wang, Henry M. Paulson, Jr. and Wang Shi.



Henry Huiyao Wang in dialogue with Henry M. Paulson, Jr., and Wang Shi

Mr. Paulson served as a 74th Secretary of Treasury under President George W. Bush from July 2006 to January 2009. As the Treasury Secretary, Paulson led the nation's response to the financial crisis in 2008, helping to stabilize the global financial system and avoid a second Great Depression. He also designed a strategic economic dialogue to revitalize the way US-China relations were conducted, achieving major breakthroughs on currency policy, trade flows, environment and global financial stability. Prior to that, Mr. Paulson had a 32-year career at Goldman Sachs, serving as a Chairman and CEO, beginning in 1999, as a banker, working to grow the Goldman Sachs' presence in China. Today, he is the Chairman of Paulson Institute, which aims to foster constructive US-China relations that maintain global order in a rapidly evolving world. In 2021, Paulson helped to launch and became the executive Chairman of TPG Rise Climate, the climate investment platform of the global private equity firm TPG. His leadership of TPG Rise Climate has reflected his belief that there is an urgent need to accelerate action against climate change, and that innovative vehicles for private sector financing will be essential for meeting this challenge. Mr. Paulson is also a co-chair of the Aspen Institute Economic Strategic Group, and co-chair of the Advisory Board of a Bloomberg New Economy Forum. He also chairs a number of leading environmental NGOs, including a seat on the Nature Conservancy Board of Directors and Asia Pacific Council. Also, Mr. Paulson is the author of two bestsellers—*On the Brink* and *Dealing with China*. He is also the co-author of two books with the former Chair of the Federal Reserve Bank, Ben Bernanke and former Secretary Tim Geithner.

Mr. Wang Shi is one of China's earliest entrepreneurs. He founded Vanke in 1984, at a time when China's private sector was only beginning. Under his leadership, Vanke has grown into the world largest residential property and developer by sales revenue and also is the pioneer of China's "green home" construction. A devoted environmental conservationist and practitioner of CSR, Mr. Wang Shi has also created and led many influential environmental advocacy groups and charitable organizations—chief among them is the Society of Entrepreneurs and Ecology or SEE. He had been involved in global climate governance since 2009, having participated in the United Nations Climate Change Conference and other programs. In 2013 he was elected the first Chinese Board Director of World Wildlife Fund. From 2011 on, he studied business ethics and cross-cultural research at top universities, including Harvard. He has also been a visiting scholar at Cambridge University and Hebrew University. Mr. Wang is widely known in China for his passion for mountain climbing. He literally started the trend in China of scaling Mt. Everest and completing Arctic and Antarctic expeditions. Mr. Wang is also the author of five books. Both Mr. Paulson and Mr. Wang Shi are dedicated conservationists, and both are leading a financial and philanthropic cause to address the climate change and biodiversity loss.

The 2023 Agenda and the Future of the SDGs

Henry Huiyao Wang: With less than ten years left to achieve the 2030 Agenda for Sustainable Development, the world needs to pick up the pace and also put more effort into finding a better solution. Achieving the environmental agenda within the SDGs will depend critically on the ability of the world's two largest economies, the United States and China, to find a path toward partnership on climate action and ecological conservation. We are going to tap into their insights on sustainability issues, climate finance and US-China cooperation. Let me turn to Secretary Paulson first.

Henry M. Paulson, Jr.: I am a big admirer of Wang Shi and have enjoyed working with him over many years. When I set up the Paulson Institute in 2011, I set up an independent think tank with the idea of sparking innovation, creativity, economic policy changes, and environmental policies changes to help promote sustainable economic growth and a cleaner environment around the world. And my focus was squarely on US-China because I believed then, even though the relationship wasn't as troubled as it is today, as I do now, that this is the most consequential relationship in the world. We're talking about the two biggest economies, the two biggest carbon emitters, and energy users. And to me, if we're going to make progress in these areas, it's important that we find ways to work in complimentary ways. And so, again, the Paulson Institute was focused on pooling ideas from both countries, developing solutions that would help lead to advanced economic growth and economic policy and a cleaner environment in both countries.

Paulson Prize is one of our initiatives and designed to identify innovative, scalable programs in China that can promote sustainable urbanization and a clean environment. I think we've done a pretty good job of developing best in class programs with a focus on supporting China's the transition to a sustainable, cleaner economy. The prize focuses on two areas—green energy and good conservation.

Henry Huiyao Wang: CCG has supported the Paulson Prize for Sustainability in the past and I was actually at an award ceremony held at the Bloomberg Forum in 2019 in Beijing. CCG was also very pleased to become a partner of this program last year as well. I know you are the mastermind behind this prize, but Mr. Wang Shi is also a member of the Jury Committee and I understand that you both recently met in Chicago. Maybe you can tell us how this synergy came about.

Wang Shi: The first time I met Henry Paulson was very impressive. About 18 years ago, it was about 2004, Henry Paulson was the CEO and Chairman of Goldman Sachs, and a very influential financial leader. I was leading a delegation of Chinese businessmen from SEE, the organization I set up to focus on

developing environmental protection and conservation. We were both passionate, but of course, lacked experience in terms of teamwork. We also were very late starters, so we signed a strategic agreement with TNC, which was led by Henry Paulson. I still remember the signing was in the Great Hall of the People in China, and that was actually the first time we officially met with each other. We didn't talk much. But what impressed me most was that at that time, Wall Street investment bankers did not put their focus on green technology or environmental protection or ESG, but Mr. Paulson was very much focused on that, and that impressed me a lot, because he was both a financier and an environmentalist. Over the years, we've worked together with TNC and our group has grown from 100 to over 1,000 businesspeople. And we've learned a lot about environmental protection and ecology and NGO governance. In China, we've supported close to 1,000 NGOs and SEE has become one of China's largest environmental foundations.

I want to mention that in 2002, I was climbing the highest mountain in Africa, but I didn't see any snow on the peak. Actually, it should've been snow capped, but I didn't see any snow. The conclusion I came to was climate change and global warming is real. But it wasn't just that peak. I went to the South Pole and the North Pole and it wasn't as cold as I expected. I remember that when I traveled to the South Pole, I spent 20 minutes without a shirt on. Since then, I've dedicated myself to environmental protection and participate in large global NGO activities and Mr. Paulson is always there. In the United States, there are some large NGOs and Mr. Paulson is the person I go to connect with them. When Mr. Paulson set up the Paulson Institute in 2011, I was a director at the WWF and some large American NGOs went to the Paulson Institute in Chicago to coordinate their activities, which is how I really got to know Mr. Paulson.

Henry Huiyao Wang: That is a great example of how US and Chinese entrepreneurs can get involved on environmental issues. According to the UN 2022 Asian and Pacific Sustainable Development Goal Progress Report, at the current rate of change none of the 17 STG objectives will be achieved in all five sub-regions. From your experience working in climate action and biodiversity, what are the possible solutions to this? I mean, you've been advocating economically and environmentally beneficial market solutions to achieve decarbonization. What is the role of the private sector in responding to the climate change? What role should financial institutions play? Actually, I was also talking to Larry Summers and he said the World Bank, AIIB ADB, and other banks could play a greater role. What roles can the private sector and financial institutions play?

Henry M. Paulson, Jr.: There's a lot of discussion about the role of the private sector. Climate change is the major predictable crisis that our planet faces it and this can only be solved if government and the private sector work together. Governments can do climate research climate and set policy, but only the private sector can implement those policies and roll them out in scale.

In the private sector, there are a number of things that have to be done. First of all, financial institutions, need to do a better job of developing classic financing techniques. They can do stress tests and disclose the positive and negative impact on the environment. In terms of venture capital work, they can do a lot to develop breakthrough technologies and get them ready to scale. Private equity firms like TPG, where I am, can put capital behind climate solutions that are proven to accelerate the development of those. But you need to begin with the fact that private sector can't do it without the government policies. It's going to take trillions and trillions of dollars that the governments don't have. That money needs to come from the private sector, but that's not a sustainable model for the private sector to make investments that are going to make losses, so the government needs to regulate.

I agree with Dr. Summers that one of the biggest things that needs to be done is to reform the multilateral development banks and the Breton Woods institutions. But there, the governments need to come together to change the charter so that these institutions have the financial resources, the technical resources, and the legal framework to do the work that they need to do. So what I would say right now, is that the private sector is well ahead of governments, but if we talk too much about private sector, it takes the focus away from what needs to be done, because governments need the political will to put the policies in place that are going to let the private sector be successful.

COP Outcomes and Public & Private Sector Contributions

Henry Huiyao Wang: I think that we need global business leaders, financial leaders, governments, as well as NGOs, to really work together to truly achieve a consensus on sustainable development and coordinate efforts on that. Last year, Mr. Wang attended COP26 in Glasgow. What was your biggest takeaway from the conference? What was your take on carbon neutral economy in terms of how it can benefit both business and the environment?

Wang Shi: I attended COP26 in Glasgow and it was the first time I organized senior Chinese executives of Chinese businesses. From 2009 to 2019, I attended the conference on behalf of Chinese businessmen, but last year was the most important and it's fair to say that is a very great achievement and there were a lot of takeaways. The number of conferences and meetings at COP26 regarding China has steadily increased and the conversation with Chinese senior managers was very good and we reach consensus among us. This year saw the biggest number of attendees with about 25,000 attendees attending the conference in Glasgow.

In addition to the official meeting, there were also a lot of activities at COP26 with numerous meetings and conversations being held every day, including those with Chinese delegations. A lot of attention has been given to China and my biggest impression was that last year, due to Covid, we had to be tested every

day, but all the organizations and country delegations were very passionate about the conference. At COP26, a Tropical Forest Protection Declaration was issued, but we'll have to wait and see the final outcome and how such a conclusion was reached.

We need to see if actions is taken instead of just giving lip service. Although we know there are a lot of imperative issues, but we still have to strike a balance in terms of the difference in the interests of different stakeholders, which makes an agreement reached by all stakeholders very difficult. Nobody knows what will come until the last minute, which makes this declaration all the more hard won. Conversations and exploration among the US, China and the EU on future solutions and cooperation continue since without participation by even one of them, one might as well not even talk about collaboration on climate issues and many other related issues. But still, I'm very positive about this outcome.

Chinese businesses and businessmen also expressed their feelings and opinions at COP26, and shared stories from China's four decades of reform and opening up. Generally, in the first two decades, China mainly saw rapid development and economic growth, which has been acknowledged by the world. In the second two decades, efforts in low carbon development were initiated with private businesses and state-owned enterprises initiating their own journeys, followed by private and public sector cooperation, which is why environmental and natural conservation efforts have seen a lot of results. At the same time, the government has worked with private and public companies. As Mr. Henry Paulson has said, passion and efforts need to be generated, especially by private enterprise. But the consensus, declarations and achievements raised by stakeholders and governments at COP26 was very important. China needs to demonstrate its future vision and its own achievements as an example to other countries and to create a foundation for further collaboration between each other. I think we will see more opportunities like this. China's NGOs are becoming stronger and we have witnessed their strength at COP26 as well. In the past, NGO participation was not that strong, but this year we've seen strong participation and efforts by Chinese NGOs.

The third positive takeaway was that young people are the future of these efforts. We saw the jointly launched United Coalition of Universities last year, which is very important to demonstrate the strength of young people graduating from universities. We've also seen organizations created by university students and young scholars, who made a lot of speeches at COP26 conferences and participated in many activities, both online and offline. I think the journey ahead of us is full of bumps and China has a long way to go with its dual carbon goals of achieving a carbon peak in 2030 and carbon neutrality in 2060, which will be very difficult. Other advanced countries are aiming for 2050 and maybe China can set the deadline a little bit earlier than scheduled, but I think 2060 is a more realistic deadline as this is already very difficult for us. However, at COP26, China's delegates made commitments that we would try our best to achieve carbon neutrality before 2060, which is a realistic target and we'll try our best to reach it.

A really good environment was created by all the delegates and there was

a very positive push forward to promote future initiatives. China's NGOs and Chinese organizations also played a very big role. For my part, I spoke not only on behalf of my company, but also on my behalf of the different Chinese sectors and industries, like the real estate sector. The real estate, or housing sector, accounts for more than 10% of carbon admissions in manufacturing. In terms of building materials for commercial buildings, residential buildings and even school buildings, carbon emission from the manufacturing of building materials account for even more—about 30% to 35% of total urban development—compared to advanced countries. This is a very big problem, but we are on the way to solving it. At the COP26 conference, we made it very clear that we're going to make a clear plan and clear targets to attain before COP27. Right now, we are on the way to further carbon reductions in urban development, especially in infrastructure and housing. So COP26 was not only a demonstration of actions, but also of commitments for COP27.

Henry Huiyao Wang: It's clear that it's very important to have the private sector, public sector and government working together to achieve sustainable environmental objectives, including carbon neutrality. Mr. Wang, you emphasized the importance of business, government, and also NGO, which is a great example what you have experienced at COP26.

Something you mentioned that I think is very useful is business and mobilization. For example, in clean energy, Tesla is doing fabulous in China. In wind power, solar power, and a number of areas, China is probably leading the world. You also mentioned the real estate sector, where Vanke is one of the largest developers China. You mentioned about the 30–40% of carbon emissions could be eliminated through changes in real estate development. That's really great stuff to talk about.

Potential Developments in US-China Relations

Henry Huiyao Wang: The biggest challenge in achieving the 2030 agenda today lies in our fragmented multilateral system. It is unfortunate that the United States and China, the world's two largest economies, have so much tension due to this so-called strategic competition, which Secretary Blinken recently mentioned. Mr. Paulson, you mentioned that the economic iron-curtain really drove the message home some time ago, which means that climate changes holds real potential in the area of US-China cooperation. Both Secretary John Kerry and Minister Xie Zhenhua, the two climate envoys appointed by President Biden and President Xi, spoke to each other at Davos and COP26, and reached an agreement.

So how can US-China relations go forward? What are the possible paths for cooperation for the two countries in the midst of competition? To make matters worse, this is all happening in the context of climate change, finance crisis, recession, high inflation, as well as a drop in people-to-people exchange and

global development. What's your overall assessment for the direction of US-China cooperation and what are our chances?

Henry M. Paulson, Jr.: I think there's no doubt that two countries are large strategic competitors and I think competition lies across all domains including technology, finance, economy, military and ideology. But despite that, our two countries have the common goals and some shared interests. We need to have peace, stability, world order and a stable climate, right? And so we have shared goals. So, the question is, how can we cooperate and at the same time compete? I think there are a number of areas that are important here.

Citizen to citizen exchanges are very important, like the work that Wang Shi and I have done over the years. What I've found, despite our very different cultural and political systems, is that Chinese and American people like each other. We have an affinity for each other. I think some has been hampered by Covid and I haven't been able to travel to China since 2019. Many businesspeople that were in China have not come back as a result of Covid. So I think that's important.

Climate change, obviously, is another area that our two Presidents have designated as an area where we should work together. We've got groups working together on methane and on other things. But as I think about areas where we should be working together, I think it's important to both countries do that together since we are the biggest climate emitters. China is by far the biggest emitter of carbon emissions and the US has only 4% of the world's population, but produces 11% to 12% of carbon emission. So, both countries have a real need to work together.

Here's what I think we should be doing:

First, we both should be doing more research and developing the breakthrough technologies we're going to need to avoid climate disaster, so that it is clearly where we should work together. I think we both should work on lifting and eliminating tariffs on environmental goods or services. It makes no technical or economic sense to charge tariffs on environmental goods and services and pay more for those. We need to cooperate more and provide incentives to channel private sector money into developing and rolling out in scale the technologies that we need to reduce carbon emissions. I think we both can do more to share knowledge and make sure that we deploy the key technologies in each of our countries. This may require some concessions on both of our government's part, but I think that's very important.

Secondly, I think we need to develop clean technologies and really work to accelerate the reduction of carbon emissions in emerging nations. Each of us can do that, right? Just looking at the Belt and Road countries, which are responsible for 28% of carbon emissions today, but by 2050 could be 60 % if we don't do something. I think we could work there.

Lastly, I'm going to come back to the point by Larry Summers you mentioned about global carbon governance. That's why it was really inspiring to hear what Wang Shi was doing and everything China was doing. It's very necessary, but it's

not sufficient, right? Right now, even if we met the Glasgow targets, the globe would overheat, but we're not even close to being on a path to meet those targets. I think we need a different approach to climate governance, but we're not going to get anywhere unless we see the US, China, India and other big countries doing more at the government level to incentivize industry.

One area where we can also work on together is on the Belt and Road. For instance, the Paulson Institute is working with the Green Principles, the first US institute to join into that effort. The Paulson Institute is doing some very interesting things working with the Asian Infrastructure Investment Bank and other development banks. But I think all multilateral development banks and the Breton Woods institutions need to do more, but we're not going to do more unless the governments come together to give them the capacity and the financial support they need. And so this is an area where the US and China and the other major countries of the world need to cooperate and work together.

I've got to be honest in saying there's not nearly as much being done as should be and that has to do with strategic competition and the nature of the fraught relationship between our two countries. But I'd like to say again that there's nothing wrong with admitting we are strategic competitors, and we're competing in all these areas. But we also need to acknowledge both countries have shared goals. We need peace and we need prosperity. We need a global order that works. And we need to save our planet, because climate change is a threat not only to economic security, but global stability and ultimately life on Earth. We have a saying in the US that "necessity is the mother of invention" and I believe that necessity is going to bring these two countries together.

Again, I look forward to the day when we can travel freely and I can visit China and we can have more interpersonal exchanges, because part of the reason I set up the Paulson Institute is that I knew there were going to be tough times between our governments. I didn't predict it was going to be as tough as it is now, but there are going to be tough times and I think we need other linkages, people to people linkages, economic linkages, NGOs working together. That's why I think the work that Wang Shi did, bringing the big delegation from China to Glasgow to interact with all the other leaders around the world, is so essential. So I say, thank you to Wang Shi.

Henry Huiyao Wang: I think we need multiple linkages and exchanges as well as dialogues like this, especially face to face interactions as soon as the quarantines are lifted. You mentioned the critical nature of cooperation between China and the US and I highly support your idea about the tariffs on environmental and sustainable development products, which we really should lift particularly now that we're facing such high inflation as well as food and energy crises amid the Ukraine-Russia conflict.

Henry M. Paulson, Jr.: That's a different issue and I think the US government is looking at reducing those tariffs. I've said from the beginning that most tariffs don't make economic sense as they're not good for either country or US

consumers. It's not good for trade. But I was making a different point that there have been long standing tariffs in environmental goods and services, and I think China needs to do more there, because when we've tried to get people together and at the WTA and the WTO to lift tariffs on environmental goods and services, China has been resistant to eliminating those tariffs. I know there's political competition and I know that economic competition makes it more complicated, but I think that the fight to save our planet is more important.

Henry Huiyao Wang: I think we need to do more on both sides to get ride of the tariffs. You also mentioned the Green Belt and Road, which is very interesting and you've helped set the green standard for that. Meanwhile, Biden has proposed B3W and the EU has established the Global Gateway, which demonstrates the need for green infrastructure in the future and we should probably all work together on that.

Henry M. Paulson, Jr.: That's extremely important, because the world needs hundreds of billions of dollars, maybe trillions of dollars, in infrastructure. But how? And no NGO likes to see infrastructure. They've never seen a dam, a road, a railroad or an oil well they like, but all of these can be done in ways that cause less damage to the environment. That's another area the Paulson Institute looks to work with organizations and I think every development bank, including the China Development Bank, can do a better job of planning in advance, rather than writing impact statements after the project has already harmed the environment. They should plan how to build the infrastructure so it does as little damage as possible to the environment.

We haven't talked much about the biodiversity crisis, but I see the biodiversity crisis as being every bit as alarming as the climate crisis, because the two of them go together. You're seeing species extinction on Earth at a thousand times the natural rate and at this rate, 50% of the all species on Earth are going to be extinct by 2050. In many ways, this is even more alarming than climate change, because with climate change, we understand the science behind it, and we understand what we need to know. But in terms of disrupting Mother Nature, we don't even know what we don't know. So the key thing we now need to do is protect the environment and not destroy it.

We can do some simple things through financial institutions in terms of our agricultural subsidiaries and fishing and timbering subsidies. China has done a lot in China and I think there's potential for China to do more outside of China, looking at the biodiversity, but there's a potential for all of us to do more. This is another area that where there is a global crisis, which I hope really brings people together. I think Covid has led people to focus more on Mother Nature, which may be an incentive. But again, this is an area where Wang Shi has been leader and the work that he and his foundation have done in terms of restoring mangroves, which are vital to the ecosystem, protecting coastlines and nurseries for fishes and so on is wonderful. He has been a leader in this area in China and we've been pleased and honored to work with him within China on biodiversity

conservation.

Henry Huiyao Wang: I absolutely agree, corporation between China and US through development banks on infrastructure and biodiversity is crucial.

Specifically, how can we in the business community and NGOs work together between China and the US on common challenge that face the world like climate change, biodiversity and any number of future catastrophes?

Wang Shi: As a leader of an NGO and in China's business community, I think that after China joined the WTO, it has been seen as an open market as well as a very important bridge between the different streams of the flow of the commodities and services.

As a businessman it's fair to say that from the beginning of reform and opening up across all systems of finance, commodities, development and trade, we've seen the creation of an interrelated world between you and me, between different countries and different stakeholders. Actually, be it in the US or Europe, the relationships MNCs, corporations and SMEs have with Chinese enterprises, especially SMEs, is very important. MNCs have their organizations and operations in China already, but for SMEs from other countries, their relations with Chinese businesses are really valuable, especially with Covid, the current challenges in the supply chain, and the lockdowns and other disruptions.

It's really hard for Chinese businesses to get out and for businesses in other countries to get into China. It's hard times both emotionally and in terms of business, but these connections are very important, especially with a lot of the disruptions we've experienced. The conflict does not come from trade barriers or tariffs; it comes from the Covid pandemic. We have the same expectation that after Covid is over, we can reconnect with each other.

Everyone is ready for that moment to come, and we can't wait for it. After so many years of connection, other countries, especially tourist destinations, who got used to so many Chinese visitors and the money they bring. Right now, there are still a lot of disruptions to travel, including travel bans, which has disrupted the income of these tourist countries.

A lot of countries really have a great need for Chinese investment, international investment and international assistance, including some developed countries, but especially less developed countries. We need to reopen and in terms of, for example, clean energy development, like wind power and the development of batteries and energy storage. We have found that these countries are in need of Chinese investment and collaboration, while Chinese companies are willing to enter those markets and cooperate with them. Especially with climate change, cooperation is very necessary and must actually go beyond the need for conflict. We have to join hands and to set aside our conflicts of interest.

Like Mr. Paulson mentioned, biodiversity is equally important as climate change issues. I agree with him. And we have to stay humble as human beings, in the face of nature and the biological environment, because still don't know the full picture in terms of the influence or impact of climate change on biodiversity. And we have to wait and see. And we have to take the initiative to preserve

nature, no matter what happens in the end.

We should also explore a common path to common solutions in terms of protecting diversity, which can benefit all of us, especially after Covid. So the biggest imperative of humanity, I feel, is the initiative taken by China, the US and EU countries for common development and common prosperity. But I think the US, China and the EU are the three most important forces in this, especially for NGOs. But cooperation is the core issue for them, so we have to set aside the impact from Covid and reconnect with each other.

Henry Huiyao Wang: I think it's very important to have these exchanges between businesses, between the people and promote travel to keep the bridges open and the flow of people steady. Secretary Paulson, can you say some final words on how US and Chinese businesses and governments can work together and with other countries to face these common challenges?

Henry M. Paulson, Jr.: I'll begin with the governments. I really do think our governments are communicating and it's good that they're communicating. There's communication at a senior level, but there's a lot of communication that isn't taking place. At the government level, I just recommend that they do things together. We should make it simpler and easier to learn, so we can build on success.

This is all communication, but perhaps strategic and military cooperation to avoid conflict is especially important. Communications on macroeconomic policies is one thing that this recent period is a great irony, especially at a time when there's more trouble between our two countries, more competition and a more fraught relationship. It's clear and how interdependent we are. If there are issues in China like economic problems or Covid lockdowns, what happens in the US economy? If there's something in the US economy, it impacts China. If we have another global financial crisis, regardless of where it starts, it will impact both countries. So naturally we need communication on macroeconomic policy at a senior level.

Then I think of climate change and I've already outlined all the things that should be done. We know those things aren't going to be done right now. They're just not realistic, so we have to do some simple things, such as the working group that's been set up with John Kerry and his counterpart on methane.

Now I'll come back to the private sector, because I can be very negative, even if I get outside of Goldman Sachs and what's going on with the between the United States and China. Just looking globally, we're not doing the things we need to do to meet the climate crisis head on, but the good news is what you see in the private sector, because what we've seen is due to a lot of innovation there, with the cost of renewables coming down. So, in half of the world's economies, if you have scalable wind or solar, it's competitive with, and in many cases better than, coal or gas. This is something we've seen that's a big positive.

And then what we're seeing is financial institutions putting pressure on companies to take action. Investors, customers and people around the world want

to see product, so businesses are innovating at a faster rate than I've ever seen. In the past year, I've probably talked with the CEOs of 80 global companies and if I talked with those companies two or three years ago, they'd say, "we're the best at environment and climate change, talk to my sustainability officer, but I want to talk to you about US-China relations, or what's going on with the economy today." They were all focused on climate change and so they're making progress. This is why I think there will be opportunities for cross-investment in this area and for companies to continue to make progress.

But right now, I think that there's going to be a limit to what we can do and make a lot of progress as long as the Russia's invasion of Ukraine continues. It's doing a lot to disrupt the global economy, but overall there are plenty of things we can do and it's very applicable that you had Wang Shi on this discussion. I think a lot what is going to be done is going to be done by the private sector.

I look forward to the day when I can travel to China and see all my friends again and have face to face communication. This is also true of my colleagues at the Paulson Institute.

Henry Huiyao Wang: I have to agree about what you said in your closing remarks about how government is important. Government should increase the level of communication and dialogue, which is so crucial. You also emphasize business, especially multinationals and the rest of the private sector including SMEs as well as NGOs. I really appreciate the great contributions you've made.

Think Tanks and American Foreign Policy

A Dialogue with John J. Hamre

Henry Huiyao Wang and John J. Hamre

One of the keys to resolving global deadlock and the instability is an improvement in US-China relations, which requires a solid grasp of trends in both American and Chinese foreign policy. As key sources of policy research and recommendation, think tanks have a unique capability to provide insight into the direction that foreign policy, especially American foreign policy, will take and how best to establish a beneficial, productive policy in response to that.

CCG President Dr. Henry Huiyao Wang and CSIS President Dr. John J. Hamre explored topics centered around think tanks, American foreign policy, pandemic changes, and think tank innovation.



Henry Huiyao Wang in dialogue with John J. Hamre

John J. Hamre was elected President and CEO of the Center for Strategic and International Studies (CSIS) in January 2000. CSIS is a non-partisan research institute with emphasis on international relations and foreign policy. Before joining CSIS, he served as the 26th US Deputy Secretary of Defense, and earlier as the Undersecretary of Defense from 1993 to 1997. Before serving in the Department of Defense, Dr. Hamre worked for ten years as a professional staff member of the Senate Armed Services Committee, and earlier he served in the Congressional Budget Office, where he became its Deputy Assistant Director for national security and international affairs. Dr. Hamre received his Ph.D. in 1978 from the School of Advanced International Studies at Johns Hopkins University in Washington, DC, where his studies focused on international politics and economics and US foreign policy.

Founding CSIC and Experiences in the US Think Tank Community

Henry Huiyao Wang: We've actually entered into a very interesting time and the world has changed fundamentally due to the pandemic and a lot of other challenges. The world is really at the crossroads. So given your experience in leading one of the preeminent think tanks in the world, we would like to start on the think tank topic. As we know CSIS was founded in 1962, which is almost 60 years ago. And you've been running that think tank for 20 years. It was facing a deficit when you started, but now you've transformed that into one of the most influential think tanks in the world. Can you share with us how you've built CSIS and share some of your experiences and recommendations with the think tank community?

John J. Hamre: I made so many mistakes when I came to CSIS and we were in very deep trouble, but we were able to get out of it. I think, in one sense, our poverty was helpful, because we were so poor back then and we had to raise 97% of our budget every year, so we had to listen carefully to what the market wanted. I didn't have the luxury of just doing my own thing, which meant we had to listen to what were the problems people were experiencing and how could we make a contribution. Actually the key to success is the quality of your staff. I inherited staff that wasn't very strong to be honest and the entire journey of my 21 years has been to hire really good people, give them a lot of flexibility, and establish a culture so that people feel that they have to do honest and objective work.

Henry Huiyao Wang: Talent is always important, but I'd like to talk about CSIS's newly released report, titled "Advancing US-China Health Security Corporation in an Era of Strategic Competition", which focuses on areas in which the US and China can work together on health, including vaccines, travel, public health, infrastructure, bio safety, supply chain and the countering

disinformation. Think tanks these days can play very active roles in terms of making recommendations. As we face a once-in-a-century catastrophe caused by the pandemic, how can we get out of this crisis and really work together, internationally on a multilateral level? And how can China and the US, the two largest leading countries and economies in the world, work better together?

John J. Hamre: This is a very large and important question. There's a central paradox that we've experienced these last two years. It's very clear with something like a pandemic that no one country can act on their own and protect themselves. There has to be international cooperation to deal with something like a global pandemic. But people that lead countries naturally respond to the pressure within their own country. And so there's a parochialism that becomes very strong in a period like this. Every country in the world has basically tried to find solutions for themselves to deal with the pandemic, and it highlighted the fact that international health organizations are not strong organizations. So, I do think there is some very fundamental thinking that we need to do, because China isn't going to give up its capacity to decide its own path for public health, we're going to hold on to that ourselves. But we do have to find ways where we can cooperate.

I think the bright spot over the last two years was with the medical research community, which had international networks that communicated with each other and joined together in a shared effort. In the private sector, international cooperation was very impressive. In the public sector and between governments, the cooperation wasn't so good, but in the private sector it was very good. I think it's a bit of an idea about what we could do in a broader sense so we could work together—how do we help our respective civil societies to work more closely on medical preparedness. I think that's a real opportunity, specifically in China. I'm unhappy about the direction we're going in right now. There's a lot of tension between our two countries. We have to find ways where we can work on shared problems and certainly global public health is a shared problem, so I think there's an opportunity here.

US-China Cooperation on Climate Change and Infrastructure

Henry Huiyao Wang: I know that both the US and China favor a patent waiver for developing countries in terms of producing the vaccine. And hopefully during the WTO ministerial meeting that is coming up, the US and China can reach some kind of agreement on supporting developing countries and getting vaccines to ensure everyone is safe. We've got to take the lead in this area and China and the US can work in many ways toward this goal. You also mentioned cooperation between the US and China and how you're not satisfied with the current situation, but that there are ways to collaborate. We were glad to see that China and the US actually made a joint statement on climate change at COP26, so that is another

big area. But what do you think about ways that we can also work together in terms of climate change?

John J. Hamre: I'm impressed by a lot of forward-looking policies that China has. For example, in electric vehicles, where it's impressive what China is proposing to do for itself. Obviously, you are a country in an energy transition. We are, too. So I think there are opportunities that we could explore where we can collaborate on climate change. We do have to find a number of things about which we can at least have conversations with each other and look at potential joint projects like in the healthcare sector. There was actually fairly robust collaboration between our medical scientists for many years, which is a good thing because it became the foundation point for the cooperation that did exist for the pandemic. We should look for these opportunities.

Henry Huiyao Wang: What really makes these two countries interesting now is that the world has a lot of common demand actually, like in infrastructure. There is not only huge demand for infrastructure in developing countries, but also in developed countries. I noticed that European leaders just announced last week that they're going to come up with 350 billion euros for infrastructure through the EU Gateway project. President Biden also launched his 1.2 trillion dollar infrastructure bill on the same day he talked to President Xi. And of course, China has its Belt and Road Initiative, which has been growing for the last eight years. Infrastructure-wise, we also have the World Bank, the BRICS New Development Bank, and the Asia Infrastructure Investment Bank, while the G7 also proposed the Build Back Better program. Do you think we can really work together on infrastructure, which I think is the biggest common denominator and has the biggest potential future benefit for everyone? That's probably what will sustain us for the next half a century of prosperity, success and growth. So, what do you think about the areas we could work on in infrastructure?

John J. Hamre: There's an astounding demand around the world for infrastructure, in some places for brand new infrastructure, and in places like the United States for modernizing existing infrastructure. I will be honest, it's rather embarrassing to look at the state of a lot of America's bridges and roads; our airports are disappointing too. So there's a lot we should do. But globally, infrastructure is a major issue. I think what we should probably do is start by looking at what areas where we know have an issue we're all going to want to deal with, such as how to build sustainable infrastructure that has a revenue base underneath it, so it doesn't become a white elephant. There are definitely some financial things too and I think we also need to find ways to help third-world countries do a better job of managing complex tender offerings, which is complicated. Infrastructure projects are big, elaborate and complex. Helping other countries do a better job of deciding what's in their interest and what is sustainable—those I think would be things we could work on together.

Shifts in American Foreign Policy

Henry Huiyao Wang: What President Biden said during the Afghanistan withdrawal is actually very significant, that from now on, the US will no longer seek nation-building, which I think is a very serious reflection on what has been happening in the last two decades in Afghanistan and maybe some other countries. What do you think about US foreign policy? Is there any deep thinking and reflection going on? Are there paradigm shifts or something like that?

John J. Hamre: I think President Biden was reflecting what the American public feels, which was that we were in Afghanistan without a strategy, we were not successful, and we shouldn't get involved in things where we don't know what we're doing. I think that was basically the commentary that was behind that statement. Now, does it mean that America is going to pull back from working with other countries in the world towards building stronger institutions, et cetera? No, I don't think it means we'll abandon that. But I do think it means that Americans and the Biden administration certainly feel that we use the military too excessively and we didn't really have a plan and we were not successful. So I think a foreign policy that is more focused on solid economics, social development, and traditional diplomacy is what he's talking about. The term "nation-building" took on a quality of an American view that "we were going to shape the world so it looks like us" —I think that is over.

Henry Huiyao Wang: I also noticed President Biden said during the virtual summit with President Xi recently that the US is not seeking to change China and does not want to have an alliance against China. He also recognized the one-China policy, which was positive. The US is divided right now you have a very hawkish Congress. If China on its own has become the second-largest economy, it must be doing something right, so how can we peacefully "co-exist" as President Xi put it in his statement during his virtual meeting with President Biden? What do you think we can do about Sino-US relations?

John J. Hamre: The sentiments in Washington are very negative right now about China. I think that's very unfortunate because it makes it hard for us to develop real ideas and real policies in a constructive way. We're two great countries. We have global interests. We're going to have areas where we're going to disagree with each other. We're going to rub up against each other. We know this because we've got these complex multi-dimensional interests and they're not always aligned. Sometimes they are in tension. We have to find ways to not let the tension overwhelm us and prevent us from having the kind of constructive conversations to work through problems. Now in the US, in Washington, there are basically two camps. One camp believes that China is racing ahead and that it's going to be dangerous, so we'd better stop them any way we can. The second camp, which I'm a part of, thinks this is a huge unprecedented competition. We're out of shape, like a runner that hasn't been exercising well and we're

going to have to get in shape before going up against this competition. So instead of trying to trip China because it's running ahead of us, we need to work harder to run faster. I believe that America's focus ought to be on improving ourselves and overcoming the problems within our own society. This is where I think we should be focusing, rather than the conversation with China being about opposition to everything you say or do. That will go nowhere in my view. So, I'm in the camp that says if America is going to compete effectively. We've got to get stronger internally.

Henry Huiyao Wang: I think that's a realistic and rational approach.

The Future of US-China Relations amid Rampant Trumpism

Henry Huiyao Wang: The mid-term elections are coming up in the US next year. How do you assess the US political landscape? Democrats barely have a majority at the Senate and the House, while the gap between the top elite and the general population in the US is still widening. The middle class hasn't really seen their income go up in the last 20 or 30 years, while in China, they preempted that and have been promoting common prosperity, lifting 800 million people out of poverty, which can also prevent the rise of populism. Meanwhile, even though Trump isn't even in office, Trumpism is still thriving, so how do you see the political future over the next two years? The US direction is very important as it affects the world as well as US-China relations.

John J. Hamre: I think about this all the time. You know America had two periods in its history where there were profound changes in our political system, one was about 1842 to 1860. And, of course, that it ended in a civil war, which is a bad thing. The other big period of change with lots of tension where politics got turned upside down, was from about 1885 until 1915. In both cases, it lasted over 20 years, I'm afraid we're in the front end of probably a 20-year period where our politics is going through profound restructuring. I have my own personal views about it, but I don't think either political party here is effectively focusing on the challenges we're going to face over the next 10 years or 15 years. I think both of the parties are battling over policies of the past rather than looking forward to the future. I think we're going to be internally divided. I think there will be there's still going to be a lot of progressive work, but it's going to happen more at the state level. And I think the economic disparity that you mentioned is very real and is going to be the greatest thing we're going to have to work on. I would say that's the big debate that we have right now between the Democrats and the Republicans, but I don't know if what's going to come out of it is going to be a breakthrough. I think we're going to have internal tension in the United States probably for the next 15 years.

Henry Huiyao Wang: In your previous discussion you mentioned that you

think the CPTPP is a good idea and that maybe the US should get back into that. Today, the WTO has become marginalized and paralyzed while the RCEP will come into effect from January 1, 2022. The CPTPP is one of the most advanced trade agreements today and was initially designed by the US, but the US has now backed out from that. In contrast, China has actually shown great interest with both Premier Li and President Xi expressing a strong interest in joining the CPTPP. The UK and South Korea also may also apply for entry. Do you think the US might come back someday? If the WTO cannot solve things as a clumsy institution of 164 members, perhaps the CPTPP, with 12, 13 or 14 members, could really work on something and solve some difficult issues, leading the world toward increased prosperity in trade and investment. What do you think about the opportunities that the CPTPP presents?

John J. Hamre: I thought it was a major mistake on the part of President Trump to pull out of the TPP and I'm glad that Japan moved forward to work on the CPTPP. I wish that Biden administration would see the opportunity to join CPTPP, but I don't know that they're going to and that's a mistake in my view. We should be leaning forward and every country has to find ways to get higher productivity in their economies in order to pay for the different things we have to do. You have an aging society. We have an aging society. We've got a wide gap in economic opportunity in America. The best way, one of the few really good ways to deal with that, is to expand and open up wider on trade opportunities. I don't know that the Biden administration is going to see it that way, unfortunately.

I also think that there is a larger restructuring underway now that started before the Covid pandemic, which is that instead of globalization, we're starting to see regionalization of trade patterns. Part of this was a very large push of the Trump administration to bring manufacturing back to the United States. I do think that there is a big sorting-out that's going on now. My personal concern is that the tension between China and the United States, and the policies that were taking could be unfortunately dividing the global economy into two spheres, which I don't think would be good for anybody. It isn't going to be a catastrophe, but I don't think it's in the best interests of everyone. The trend we're on right now is very much towards bifurcating the international economic order and I think the trade issue fits into that. I think there needs to be a larger conversation about where the global economy is going. What trends are underway? Can we manage the trends that are emerging? There are some big issues here.

Think Tanks Today in the United States

Henry Huiyao Wang: I was very pleased to see that USTR, Katherine Tai, spoke at CSIS not too long ago. She actually talked about re-coupling and spoke to her Chinese counterpart, China's Vice Premier, Liu He. Trade is probably the biggest connectivity between our two countries and US companies are doing a lot of

business in China, like with the recent opening of Universal Studios in Beijing, which is the largest in the world. It's only a third open, but it's already the largest in the world with millions of people flooding in and tickets in short supply, so the potential for US business is enormous. Tesla is doing fabulous here, as well as Boeing and many other US companies. A bipolar world with two spheres and systems would be really detrimental and destructive to the world. So I agree that we really need to work together.

I'd like to come back again to a think tank related question. In the US, think tanks have been revolving doors and you have a non-partisan stance. I know you moved to a new building a few years back. When I first went to CSIS, it was actually a small office, but now you have a huge building. How do US think tanks work?

John J. Hamre: I can only speak about America. I don't know other countries well enough to really talk about their systems. But I know in America, we're in a period where our two political parties are so busy just fighting each other over small matters that they don't have time to think about big ideas, so that's what think tanks are now doing, trying to do strategic thinking for America. And I think that's a role that think tanks in general should be embracing. We have to develop ideas and test them out, explore them—how would they work, where would they not work. We have to do all of that because right now our governments are struggling to find ways to work with each other. In my 21 years at CSIS, I feel like we're just starting to pick up our real program, because in the future CSIS and other thing tanks are going to have a much bigger role to play. I think that's probably the case around the world. Governments struggle to deal with new ideas as big bureaucracies take old ideas and make it more complicated. They don't invent new ideas, so think tanks have to do that, which is why we have to have good constructive relations with our own government, but then also open conversations with friends in other countries.

Henry Huiyao Wang: That's a great insight. I personally visited CSIS many times and participated in quite a few activities, including one debate. Now I'd like to ask what you think about Track II diplomacy, or even Track 1.5. Do you feel think tank dialogues between the US and China can bring better understanding and communication to the relationship? As you said, the government is too busy and we can provide a lot of ideas through these dialogues, particularly during this difficult time.

John J. Hamre: I think over the next 10 years, Track 1.5 and Track II dialogues are going to be more important than any time in our history. It's hard for the governments to meet each other because the politicians are so busy throwing rocks at the other side. We can at least meet and talk to each other as professionals and as friends. That doesn't mean we're always going to agree, but it means we can have an honest conversation with each other, and I think it's very hard for that to happen now in government circles. So we have a very

important mission. I think over the next 10, 15 or 20 years it's going to be more important than ever that we explore in conversations, like we're having now, where we disagree, why we disagree, and what can we do about it? There have to be some parts where we have common interests, even though we don't talk about it to each other. What are they? We'll to be in a better position when we have real hard issues that we have to share with each other. We are going to have those issues and we are big countries, so it's unavoidable, but we do have to have a framework where we can talk to each other and I think that's what Track 1.5 is going to be, especially over the next 10 or 15 years.

Henry Huiyao Wang: We discussed quite a few ways in which US and China can collaborate. We also talked about climate change, fighting the pandemic, infrastructure, US foreign policy and also US internal politics as well as China-US corporation and the importance of think tanks as well. So, on behalf of the Center for China Globalization, I want to thank you, Dr. John Hamre, President of CSIS.

John J. Hamre: I do feel we're in a period of time where we're going to have to be honest with each other about where we disagree, but we have to have a framework where we're talking to each other, where we can understand each other, and I think you will play a crucial role in that and I hope that we can continue to work together.

Acknowledgements

The confluence of politics, economy and specific issues that we face as an interconnected planet are at the root of any scholarly pursuit, from philosophy to law to language. As a global think tank, the Center for China and Globalization is committed to viewing the world as a global whole, including developed and developing nations from both East and West. As the world continues to change, especially in terms of geopolitics and global governance, it is essential to understand how global power shifts and changes in the flow of people and goods will affect nations and individuals. In this, the most recent publication of discussions from our CCG Global Dialogues series, we have the chance to benefit from the insights of some of the world's leading scholars in political science, economics and development studies, as well as a range of other experts, diplomats and business leaders. I would first like to thank them for their participation, inspiration, support and encouragement in this endeavor.

I would also like to recognize the immense contribution from our commissioning editors at Springer Nature Group and their team, particularly Yingying Zhang and Leana Li. As our long-term partners, we thank them once again for their continued support in creating books that provide the world with alternate perspectives and workable solutions. It is our combined effort and dedication that makes this possible.

I am also grateful to the editors and researchers at the CCG Publishing Centre, and would like to express my warmest thanks and appreciation to Yueyuan Ren, Joshua Dominick, Yan Li, Yuchen Qin, and Benjamin Freking.

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As we explore new possibilities for this changing world, the one constant is the need for communication and reflection. Through the CCG Global Dialogues series, we have the ability to exchange ideas with some of the world's leading minds, but at the same time, that is not enough. We also wish to share these ideas with the wider world, and thereby inspire discussion, debate and the creation of new ideas and solutions. Therefore, I thank you, our readers, for your interest in the topics we present throughout these discussions and encourage you to continue explore the topics in this book in your professional and daily lives. Once again, I thank you for your support and welcome your feedback.

Henry Huiyao Wang, Ph.D.

Founder and President of Center for China and Globalization (CCG)

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About the Center for China and Globalization

The Center for China and Globalization (CCG) is a Chinese non-governmental think tank based in Beijing. CCG has been granted the official special consultative status by the Economic and Social Council of the United Nations (ECOSOC) as a non-governmental organization. In the “2020 Global Go To Think Tank Index” by the University of Pennsylvania Think Tank and Civil Society Program (TTCSP), CCG ranked 64th of the top think tanks worldwide and among the top 50 global independent think tanks. CCG has also been recognized as a “4A non-governmental organization” by Beijing Municipal government civil affairs department.

Founded in 2008 and headquartered in Beijing, the Center for China and Globalization (CCG) is China’s leading global non-governmental think tank. It has more than ten branches and overseas representatives and over 100 full-time researchers and staff engaged in research on globalization, global governance, international economy and trade, international relations and global migration. CCG is also a national Postdoctoral Programme Research Center certified by the Chinese Ministry of Human Resources and Social Security.

While cultivating its own research teams, CCG has also built an international research network of leading experts in China and overseas. CCG engages in ongoing research on China and globalization from an international perspective. CCG publishes more than 10 books every year in English and Chinese and a series of research reports. It shares its research findings with the public and has published hundreds of thousands of related books and reports, which receives hundreds of thousands of website visits annually.

CCG has been involved in promoting many national development and global governance policies. It regularly submits policy recommendations to relevant state agencies and ministries, many of which have been commented on by the central leadership and have served as reference for major decisions made by relevant departments, continually promoting government policymaking and institutional innovation.

About CCG Global Dialogues

CCG initiated “CCG Global Dialogues” in 2021 and up to date Dr. Henry Huiyao Wang has dialogued near 100 global top politicians, impactful opinion leaders and thoughtful business founders. These one on one dialogues aim to foster an open, constructive, objective and in-depth intellectual conversation with top world leaders. The views shared by the guests in the dialogues are extremely valuable to understand our fast changing global trends and challenges. The dialogues also proposed a number of ideas on how to jointly create a peaceful, prosperous and more inclusive world in a new multipolar world era.

We are eager to share these stimulating talks in the form of books so that readers can absorb the insights shared by our speakers, compare and contrast their perspectives, and enhance their mastering of important issues such as globalization, global governance and multilateralism, the global economy, and our shared transnational threats, and China-US, China-EU and China-Global South relations. We hope these thoughts provoking discussion will help readers develop a nuanced and balanced understanding of some of these crucial themes of our times.

CCG Global Dialogues: Understanding Globalization, Global Gaps, and Power Shifts in the 21st Century

Editors: Huiyao Wang and Lu Miao

Publisher: Palgrave Macmillan (November 24, 2022)

This open access book aims to help readers make sense of our changing world by sharing the views of global thought leaders on some of the most important issues of our time, from US-China relations and global governance to climate change and the COVID-19 pandemic.

The ten dialogues in this book were part of the “China and the World” series of online discussions hosted by the Center for China and Globalization (CCG). The series features CCG President Huiyao Wang in conversation with experts from a range of fields, from renowned scholars of international relations, economics, and history, to journalists, policymakers, and business leaders.

The speakers featured in this book are Graham Allison, David Blair, Kerry Brown, Anne Case, Li Chen, Wendy Cutler, Angus Deaton, Thomas L. Friedman, Valerie Hansen, Pascal Lamy, Kishore Mahbubani, Joseph S. Nye Jr., Adam Posen, J. Stapleton Roy, John L. Thornton, Huiyao Wang, Martin Wolf, and Zhu Guangyao.

These wide-ranging discussions offer unique insights and perspectives on key trends shaping our world in the 21st century. These include the rise of China and shifts in geopolitics, as well as the evolving nature of globalization, transnational threats, and multilateralism.

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About China and Globalization Forums

The “China and Globalization Forum” is the first think tank brand forum initiated in 2015 by the Center for China and Globalization (CCG), dedicated to the themes of a “community of shared future for mankind” and “China’s path to globalization.” As one of the few high-level international forums hosted by a think tank in China, the Forum upholds the principles of professionalism and internationalization. Each year, it closely follows the trends of economic globalization and sets forward-looking agendas on global issues.

Every year, hundreds of distinguished participants from governments, business, academia, research institutions, and other sectors—both in China and abroad—join the discussions. They contribute insights and policy recommendations on China’s deepening reform and opening-up, its active promotion of globalization, and participation in global governance, building consensus for a new model of future globalization. The Forum has welcomed former political leaders, ambassadors to China, representatives of international organizations, and renowned scholars from around the world to deliver speeches and exchange ideas.

Themes of past editions include: “A Community of Shared Future for Mankind and New Approaches for Chinese Business Development,” “Globalization at a Crossroads and China’s Wisdom,” “Understanding Global Transformations and Responding to Global Crises,” and “Globalization and Global Governance Amid Uncertainty,” among others. Each year, participants engage in in-depth discussions on a range of topics under the main theme, offering proposals on advancing globalization and China’s role in the process. The Forum’s discussions are compiled into reports and policy recommendations, contributing positively to China’s integration into and leadership in global development.

May 22–23, 2025

11th China and Globalization Forum

<http://en.ccg.org.cn/archives/87498>

May 25–26, 2025

10th Annual China and Globalization Forum

<http://en.ccg.org.cn/archives/81797>

<http://en.ccg.org.cn/archives/81800>

September 20–21, 2025

9th Annual China and Globalization Forum

<http://en.ccg.org.cn/archives/80297>

June 19–21, 2022

8th China and Globalization Forum

<http://en.ccg.org.cn/archives/77038>

July 29–30, 2021

7th China and Globalization Forum

<http://en.ccg.org.cn/archives/73118>

<http://en.ccg.org.cn/archives/73120>

<http://en.ccg.org.cn/archives/73122>

<http://en.ccg.org.cn/archives/73124>

<http://en.ccg.org.cn/archives/73126>

November 11–12, 2020

6th China and Globalization Forum

<http://en.ccg.org.cn/archives/59644>

<http://en.ccg.org.cn/archives/59627>

<http://en.ccg.org.cn/archives/59643>

<http://en.ccg.org.cn/archives/59641>

<http://en.ccg.org.cn/archives/59642>

<http://en.ccg.org.cn/archives/59646>

April 14th, 2019

5th China and Globalization Forum

<http://en.ccg.org.cn/archives/59479>

<http://en.ccg.org.cn/archives/59472>

<http://en.ccg.org.cn/archives/59478>

May 20, 2018

4th China and Globalization Forum

<http://en.ccg.org.cn/archives/58553>

April 9, 2017

3rd China and Globalization Forum

<http://en.ccg.org.cn/archives/58824>

May 15, 2016

2nd China and Globalization Forum

<http://en.ccg.org.cn/archives/59046>

July 12, 2015

1st China and Globalization Forum

<http://en.ccg.org.cn/archives/81750>

About China Global Think Tank Innovation Forums

The “China Global Think Tank Innovation Forum”, initiated by the Center for China and Globalization (CCG), is dedicated to tracking new trends in the development and innovation of the global think tank sector, and to promoting exchange and cooperation between international think tanks and China’s new-type think tanks with Chinese characteristics, in order to better fulfill the historical mission of contemporary think tanks.

As a global think tank forum hosted in China, the Forum has been successfully held for ten consecutive editions as of 2025. Previous events have seen participation from dozens of countries and international organizations, over a hundred think tanks, and hundreds of representatives from strategic, economic, and business research institutions and associations worldwide.

Bringing together global think tank consensus, the “China Global Think Tank Innovation Forum” serves as a platform for intellectual exchange on the most pressing challenges facing think tanks today, actively exploring forward-looking and innovative solutions.

November 20, 2025

10th China Global Think Tank Innovation Forum

<http://en.ccg.org.cn/archives/89461>

December 4, 2024

9th China Global Think Tank Innovation Forum

<http://en.ccg.org.cn/archives/85161>

October 23–24, 2023

8th China Global Think Tank Innovation Forum

<http://en.ccg.org.cn/archives/80424>

December 15, 2022

7th Annual China Global Think Tank Innovation Forum

<http://en.ccg.org.cn/archives/78580>

December 7, 2021

6th Annual China Global Think Tank Innovation Forum

<http://en.ccg.org.cn/archives/76125>

November 24, 2020
5th China Global Think Tank Innovation Forum
<http://en.ccg.org.cn/archives/69429>

May 28, 2019
4th China Global Think Tank Innovation Forum
<http://en.ccg.org.cn/archives/59172>
<http://en.ccg.org.cn/archives/59269>
<http://en.ccg.org.cn/archives/59270>

June 17, 2018
3rd China Global Think Tank Innovation Forum
<http://en.ccg.org.cn/archives/58792>

June 22–24, 2017
2nd China Global Think Tank Innovation Forum
<http://en.ccg.org.cn/archives/58835>

June 6, 2016
1st China Global Think Tank Innovation Forum
<http://en.ccg.org.cn/archives/59045>

About CCG VIP Luncheons

The CCG VIP Luncheon Series, a high-profile flagship international exchange event founded by the Center for China and Globalization (CCG), is tailored for international elites residing in Beijing. It aims to tell China's stories well, voice China's perspectives authentically, present a true, multi-dimensional and panoramic view of China, and showcase a credible, appealing and respectable China to the world.

Since its launch in May 2024, CCG has successfully hosted 20 sessions of the luncheon, with distinguished guests from China's political, academic and business sectors including Zhu Guangyao, Yi Xiaozhun, Long Yongtu, Yu Yongding, Huang Yiping, Li Daokui, Ronnie Chan, and Pascal Lamy. The series has attracted a total of nearly 1,000 participants to date, including ambassadors, ministers-counselors from over 60 countries and regions, representatives of international organizations, executives of Chinese and foreign enterprises, as well as foreign media correspondents.

Senior representatives of major Western mainstream media outlets based in China have also taken part, such as bureau chiefs, station managers or chief correspondents from The Wall Street Journal, The New York Times, Financial Times, Bloomberg, Reuters, Associated Press, Agence France-Presse, CNN, BBC, and The Economist. In addition, leading media organizations from Japan, South Korea, Germany, India, Brazil and other countries have actively joined the events.

Highlight speeches and in-depth discussions from each session are disseminated globally via English newsletters, which have generated extensive influence among overseas political and economic policymakers, strategic academics and mainstream media circles.

December 4, 2025

20th CCG VIP Luncheon: Investing in the Next Generation: Forging Global Cooperation for Inclusive and Resilient Development

<http://en.ccg.org.cn/archives/89523>

November 11, 2025

19th CCG VIP Luncheon: The China-US Trade War and the Reconstruction of the Global Trade Order

<http://en.ccg.org.cn/archives/89451>

October 31, 2025

18th CCG VIP Luncheon: The 15th Five-Year Plan and New Opportunities for

Global Development: Technological Innovation, Green Transition and Industrial Cooperation

<http://en.ccg.org.cn/archives/89411>

September 15, 2025

17th CCG VIP Luncheon: Global Development Cooperation and the Role of China

<http://en.ccg.org.cn/archives/89311>

August 28, 2025

16th CCG VIP Luncheon: New Energy and Global Green Transition

<http://en.ccg.org.cn/archives/89079>

July 24, 2025

15th CCG VIP Luncheon: Bolstering Trade and Investment to Build Resilient Industrial and Supply Chains Together

<http://en.ccg.org.cn/archives/88946>

June 17, 2025

14th CCG VIP Luncheon: The Private Economy Promotion Law: Institutional Innovation and Global Implications

<http://en.ccg.org.cn/archives/87714>

May 16, 2025

13th CCG VIP Luncheon: New Progress of Hainan Free Trade Port and Major Trends of China's Expansion of Opening-up

<http://en.ccg.org.cn/archives/87434>

April 16, 2025

12th CCG VIP Luncheon: The Multi-dimensional Impacts of Global Trade Uncertainties: Transmission Effects of Tariff Policies on Industrial Chains, SEMs, and Consumers

<http://en.ccg.org.cn/archives/87311>

March 14, 2025

11th CCG VIP Luncheon: Interpreting the Two Sessions

<http://www.ccg.org.cn/archives/88290>

December 23, 2024

10th CCG VIP Luncheon: On China-Saudi Arabia Cooperation

<http://www.ccg.org.cn/archives/87418>

December 12, 2024

9th CCG VIP Luncheon: On Policy Trends in the Trump 2.0

link

December 5, 2024

8th CCG VIP Luncheon: China's Progress in Public Health and Green Sustainability

<http://en.ccg.org.cn/archives/85325>

December 4, 2025

7th CCG VIP Luncheon: The Situation in the Middle East and the Role of China

<http://www.ccg.org.cn/archives/87315>

November 5, 2024

6th CCG VIP Luncheon: The Opportunities and Challenges of Green Trade

<http://en.ccg.org.cn/archives/84794>

October 11, 2024

5th CCG VIP Luncheon: The Challenges and Opportunities Ahead for China in Advancing Energy Transition

<http://en.ccg.org.cn/archives/83376>

September 19, 2024

4th CCG VIP Luncheon: Interpreting China's Latest Economic Trends

<http://www.ccg.org.cn/archives/86943>

July 24 , 2024

3rd CCG VIP Luncheon: The Third Plenary Session and the Focus of Reform and Opening-up

<http://en.ccg.org.cn/archives/82122>

On June 7, 2024

2nd CCG VIP Luncheon: Drivers of China's Economic Development

<http://en.ccg.org.cn/archives/81918>

May 14 , 2024

1st CCG VIP Luncheon: On China's Economy

<http://en.ccg.org.cn/archives/81352>

Selected CCG Webinars, Roundtables and Track II Dialogues

Since 2015, CCG has hosted the China and Globalization Forum annually in conjunction with its council meeting, bringing together the most prominent members of CCG Advisory Council and celebrated policy scholars and business leaders. Over the years, the convention has become a magnet for the most highly regarded delegates from China's government, expert, and business communities for dialogue and debate about the most pressing issues in global politics and business regarding the development of globalization and China's role in it.

2025

March 12, 2025

CCG, Swiss Chamber of Commerce and the Benelux Chamber of Commerce in China's Seminar: "Two Sessions Recap—Insights from China's Annual Meetings"

Video: <http://en.ccg.org.cn/archives/87114>

May 22, 2025

CCG Roundtable: "U.S.-China Trade War Narratives in an Era of Great Power Competition: Perceptions and Realities"

Video: <http://en.ccg.org.cn/archives/87607>

July 17, 2025

CCG-CCBC Roundtable: "Cooperation between China and Canada on Economic and Trade Development"

<http://en.ccg.org.cn/archives/88867>

October 23, 2025

CCG Roundtable: "Global South Green Industrialisation Initiative: Necessity and Implementation Approaches"

<http://en.ccg.org.cn/archives/89367>

2024

February 17, 2024

CCG's side event on MSC 2024: China, Europe, and the United States: Climate Cooperation in an Era of Great Power Politics

Text: <http://en.ccg.org.cn/archives/80955>

June 03, 2024

CCG, German and French embassies' seminar: "European and Chinese Perspectives on AI Governance"

Video: <http://en.ccg.org.cn/archives/81834>

September 02, 2024

CCG seminar: Reimagining the Current Global Governance System to Work for Africa and Prospects for China-Africa Cooperation

Video: <http://en.ccg.org.cn/archives/82358>

September 10, 2024

CCG session on WTO 2024 Public Forum: "Leveraging China's green transition for global climate mitigation: perspectives, opportunities and challenges"

Video: <http://en.ccg.org.cn/archives/82714>

November 06, 2024

CCG Forum at CIIE: "Sustainable Trade amid Climate Change"

Video: <http://en.ccg.org.cn/archives/84731>

2023

February 21, 2023

CCG Side Event on MSC2023: "Oasis or Mirage: Analyzing China-U.S. Relations on Climate Cooperation"

<http://en.ccg.org.cn/archives/78893>

March 22, 2023

CCG and EPC seminar: "EU-China Political and Economic Relations in 2023"

<http://en.ccg.org.cn/archives/79093>

April 29, 2023

CCG's Two Track dialogue: "Re-Making Globalization and the Need for Dialogue Between Civilisations"

<http://en.ccg.org.cn/archives/79379>

June 07, 2023

CCG Ambassadors' Roundtable: "Paths Toward Common Prosperity: The Nordic Model And Beyond"

Video: <http://en.ccg.org.cn/archives/79585>

September 01, 2023

CCG Dialogue: "BRICS 2023: Outcomes, Opportunities and Expectations in a Changing World Order"

Video: <http://en.ccg.org.cn/archives/80060>

2022

January 19, 2022

World Bank and CCG Webinar: Launching the January 2022 edition of “Global Economic Prospects” in China

Video: <http://en.ccg.org.cn/archives/74938>

March 29, 2022

CCG Webinar: “De-escalating the Russia-Ukraine Conflict”

Video: <http://en.ccg.org.cn/archives/75930>

May 18, 2022

CCG-Agora Seminar: “China, Germany, and Europe in uncertain times”

Video: <http://en.ccg.org.cn/archives/76654>

June 20, 2022

CCG Webinar between Chinese and US think tanks: “Realigning the US-China Trade and Economic Relationship”

Video: <http://en.ccg.org.cn/archives/77082>

June 20, 2022

CCG Ambassadors’ Roundtable: “Global Recovery in Post-pandemic Times: Trends, Challenges, and Responses”

Video: <http://en.ccg.org.cn/archives/77000>

July 25, 2022

CCG and Mercedes-Benz Webinar: “China-EU business and trade relations within the context of the Covid-19 pandemic”

<http://en.ccg.org.cn/archives/77424>

August 10, 2022

CCG Webinar: “China-India: Complex Interdependence in a Rising Asia”

Video: <http://en.ccg.org.cn/archives/77617>

October 26, 2022

Digital Markets Act (DMA) and Digital Services Act (DSA) Webinar: “Opportunities and challenges for EU-China relations: high-level dialogue with European Parliament’s member and lead rapporteurs

Video: <http://en.ccg.org.cn/archives/78244>

November 02, 2022

CCG and IOM Seminar: “Report Release: World Migration Report 2022

Video: <http://en.ccg.org.cn/archives/78214>

November 17, 2022

China Finance Forum 2022: “Global firms in China in 2022: Navigating the waters”

Video: <http://en.ccg.org.cn/archives/78359>

2021

January 13, 2021

CCG Webinar: Global Economic Prospects in the Post-Pandemic Era

Video: <http://en.ccg.org.cn/archives/70530>

March 11, 2021

Frederick S. Pardee Center for the Study of the Longer-Range Future Webinar: “In the Wake of the RCEP: Asia-Pacific or Indo-Pacific?”

Video: <http://en.ccg.org.cn/archives/70737>

April 23, 2021

CCG Roundtable: “Climate Change— a Common Challenge for Mankind”

<http://en.ccg.org.cn/archives/71202>

April 29, 2021

CCG, RSIS and CSIS Roundtable: The Next Bound in US-China Relations

<http://en.ccg.org.cn/archives/71268>

May 14, 2021

CCG Roundtable: “China and the WTO after 20 years: Embarking on the next chapter”

<http://en.ccg.org.cn/archives/71306>

June 16, 2021

World Bank and CCG Webinar: Discussing the June 2021 “Global Economic Prospects”

Video: <http://en.ccg.org.cn/archives/71460>

June 22, 2021

Asia House briefing with Dr. Henry Huiyao Wang: Exploring China’s role in the Future Global Trade Order

<http://en.ccg.org.cn/archives/71484>

November 02, 2021

United Nations and CCG Roundtables on China and the United Nations: 50 Years and Beyond

<http://en.ccg.org.cn/archives/74393>

November 11, 2021

Financial Times Trade Secrets Summit: Dr. Henry Huiyao Wang discusses about

the significance of China's commitment to joining multilateral trade deal

Video: <http://en.ccg.org.cn/archives/74644>

November 26, 2021

CCG Webinar: "China-Pakistan: The Way Forward—Enhancing Regional Stability and Security under the Belt and Road Vision"

Video: <http://en.ccg.org.cn/archives/74284>

December 13, 2021

CCG Seminar: "Twenty years of China's WTO membership: from integration to interaction"

Video: <http://en.ccg.org.cn/archives/74509>

2020

April 19, 2020

MSC Parallel Panel Discussion: "Make Competitors Trade Again: From Confrontation to Cooperation?"

Video: <http://en.ccg.org.cn/archives/58101>

July 7, 2020

Dialogue with Jeremy Rifkin: "China's Role in Building a Global Zero-Carbon Society"

Video: <http://en.ccg.org.cn/archives/59476>

August 19, 2020

CCG Webinar: "Global Governance and Cooperation in Public Health"

Video: <http://en.ccg.org.cn/archives/59512>

August 24, 2020

CCG Webinar: "Sino-US relationship going forward: Armageddon or managed competition?"

<http://en.ccg.org.cn/archives/59517>

August 25, 2020

CCG Webinar: "Global Migration amidst the Pandemic"

<http://en.ccg.org.cn/archives/59537>

October 12, 2020

Wang Huiyao in Conversation with Joseph Nye and Valerie Amos on "Festival of Politics and Ideas to Transform Europe"

<http://en.ccg.org.cn/archives/59591>

November 24, 2020

CCG and TTCSP Co-host 5th China Global Think Tank Innovation Forum

<http://en.ccg.org.cn/archives/65083>

December 8, 2020

CCG Ambassadors Roundtable: “China and the World in the Period of China’s 14th Five Year Plan”

<http://en.ccg.org.cn/archives/65085>

December 30, 2020

Video: MSC Parallel Panel Discussion: “Make Competitors Trade Again: From Confrontation to Cooperation?”

About CCG's Publications

China and Globalization Series

This series is designed to have a wide range of global views on issues related to China and Globalization, opportunities and challenges on China's rise to the world and China's roles in global governance, global economy, global development and global security. It outlines China's international relations with major global powers and the rest of the world and it contains recommendations and proposals for the future of sustainable development, prospects of China's further capital and market liberalization, and China's globalizing trajectories as experienced by the world.

The first of its kind to publish the works of over two hundred contributors internationally, this book series seeks to create a balanced global perspective by gathering the views of highly influential global opinion leaders, former statesmen, ambassadors, well known academics and think tank experts, multinational CEOs and foreign chambers of commerce from China and around the world.

Download open access books at: <https://www.springer.com/series/16735>

The Ebb and Flow of Globalization: Chinese Perspectives on China's Development and Role in the World

Author: Huiyao Wang

Publisher: Springer (August 2, 2022)

Globalization is an irresistible force. Given the high stakes at hand – for stability, continued growth, and the future of our planet – it is more important than ever that China gain a deeper understanding of the rest of the world, and that the rest of the world also comes to a clearer understanding of China.

This book focuses on globalization and China's evolving role in the world, offering unique perspectives on a remarkable period, which saw the global landscape reshaped by China's continued rise, intensifying great power competition, and a deadly pandemic.

The essays center on three interconnected themes – China's remarkable development under its policy of Reform and Opening-up, China's deepening integration into the global economy and rise in an increasingly multipolar world, and the quest to reinvigorate global governance and multilateralism to address the pressing global challenges of the 21st century.

These insights are useful for academics, policymakers, students, and anyone

trying to deepen their understanding of China's development and role in making globalization work for our multipolar world.

More info:

<https://link.springer.com/book/10.1007/978-981-16-9253-6>

Global Development and Cooperation with China: New Ideas, Policies and Initiatives for a Changing World

Editors: Henry Huiyao Wang and Mabel Lu Miao

Publisher: Springer (April, 2025)

This open access book draws on the insights and wisdom of representatives from a wide range of international organizations with a presence in China, leveraging their rich experience in their respective fields as well as their unique understanding of China's development and its role in the world. In a world of increased tension between governments and a rise in regionalism, globally positioned non-governmental international organizations are key to keeping the lines of communication open. In addition to the United Nations and its affiliate organizations, a host of international organizations are ensuring that the world's most pressing issues, in areas ranging from economics to education, are being discussed.

This new book focuses on the latest trends in four major areas—global governance, trade and economics, science and technology, and culture and exchange—providing the reader with information on the latest developments in these areas with a special focus on China and its relevant contributions. It is hoped that this book will inspire deeper discussion and consideration of the issues we face as a global community and how non-governmental entities can play a stabilizing role in global communication and in exploring solutions to common challenges.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-96-2452-2>

Enhancing Global Governance in a Fragmented World: Prospects, Issues, and the Role of China

Editors: Henry Huiyao Wang and Mabel Lu Miao

Publisher: Springer (June, 2024)

This open access book explores the 'polycrisis' currently affecting nearly all nations by exploring key themes such as multilateralism and globalization from the perspective of think tanks from nearly every continent, searching for various solutions to the ills that currently plague the world and a way to create a future in which everyone benefits.

As China's preeminent non-governmental think tank, the Center for China and Globalization (CCG) has invited 30 leading figures from the global think tank community to sift through the myriad layers of multilateralism and global governance and provide a contextual analysis of major themes both from a theoretical and practical perspective, focusing on China in detail, but also examining the world as a whole.

Think tanks are essential in analyzing current trends and providing potential solutions that aid governments, international organizations and business in finding solutions that are beneficial to all. As a key source of innovative ideas, they have become even more valuable today as the pace of change accelerates, geopolitical complexity increases and the world has to deal with global crises that no country can address on their own.

A common, central theme through all of the 25 essays in this book is the need for a more universal, inclusive and multilateral approach to reforming global governance. It is our hope that the views of the experts from think tanks and other non-governmental organizations in this compilation will provide valuable insights to help heal the gaps in our fragmented world.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-97-2558-8>

The Future of China's Development and Globalization

Editors: Henry Huiyao Wang and Mabel Lu Miao

Publisher: Springer (January 1, 2024)

As the world continues to recover from the fear and uncertainty of the COVID-19 pandemic, a new set of challenges like increased geopolitical tensions and climate change have become increasingly prominent. This open access book, which contains the views of ambassadors to Beijing on topics ranging from bilateral relations to potential cooperation, global development and even more of the most immediate issues, aims to help readers make sense of our changing world and China's role in it.

Building on the success of our previous volume *China and the World in a Changing Context: Perspectives from Ambassadors to China*, the Center for China and Globalization (CCG) has invited 27 ambassadors to examine China's role in this context of constant flux, focusing specifically on China's perspective, including its trade and investment ties with other countries, as well as its role in multilateral regional relations and global governance.

These diplomatic envoys from countries around the world serve as pivotal contact points between nations across a wide range of fields, from economics and culture to health and the environment. Their perspectives, representing both developing and industrialized countries, are both invaluable and illuminating—not only in conveying the views and experiences of their own country, but also for their insights into global affairs and China's development.

It is our hope that the views expressed in this volume will inspire even more discussion on the next best step to take in finding solutions to the problems we face, and in particular how China can use its own experience and wisdom to better contribute and engage with the world in finding solutions together. This book provides a wealth of perspective and insight that we hope will benefit not only academics and policy makers, but also the private sector and individuals. s and policy makers, but also the private sector and individuals.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-99-7512-9>

Soft Power and Great-Power Competition: Shifting Sands in the Balance of Power Between the United States and China

Author: Joseph S. Nye, Jr.

Publisher: [Springer (April 26, 2023)]

This open access book consists of essays selected from Joseph S. Nye, Jr.'s last three decades of writing and illustrate a variety of perspectives on the nature of power, the role of the United States in the world and US-China relations. Through this collection, it is hoped that readers will gain a better understanding of today's global environment and find that while great power competition may be inevitable in a world as centers of power shift, cooperating to address transnational challenges can be a positive sum game.

The contents of this book are divided into four main parts. Part One discusses the origins and political progress of the concept of "Soft Power". Part Two explores soft power in the American experience, its sources and interaction with US foreign policy, as well as its ebb and flow in the age of Obama, Trump and Biden. Part Three examines the rise of and the opportunities and difficulties for Chinese soft power, focusing on China's investment in soft power and how this demonstrates its commitment to a peaceful rise. However, it also addresses the question of how can China get "smart" on how it uses soft power. Part Four provides a bird's-eye view of power shifts in the 21st century and the interactions between the US as an established power and China as a rising power, while also reassuring readers that Thucydidean fears are unnecessary and a Cold War is avoidable. Both countries have to realize that some forms of power must be exercised with others, not over others, the development of soft power need not be a zero-sum game. Ultimately, the US-China relationship is a "cooperative rivalry" where a successful strategy of "smart competition" is necessary and cooperation on transnational challenges like climate change, pandemics, cyberterrorism and nuclear proliferation, will serve to benefit not only China and the US, but the world as a whole.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-99-0714-4>

China and the World in a Changing Context: Perspectives from Ambassadors to China

Editors: Huiyao Wang and Lu Miao

Publisher: Springer (March 5, 2022)

This book is open access under a CC BY-NC-ND license.

Ambassadors are diplomatic envoys serving as pivotal contact points between nations across a wide range of fields, from economics and culture to health and the environment. The special group of ambassadors in this book – those based in Beijing – are at the forefront of what for many countries is one of their most important bilateral relationships, as well one of the most striking and consequential aspects of global affairs in the 21st century: the rise of China on the world stage.

This book aims to present an overview of China and the world from diverse angles. It brings together essays by ambassadors to China on a range of bilateral and multilateral issues, including trade and investment, regional economic cooperation, sustainable development, technology and innovation, and entrepreneurship. Given their familiarity with China and extensive international experience, the insights of these ambassadors are useful for policymakers, academics, entrepreneurs, students, and anyone trying to make sense of our rapidly changing world.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-16-8086-1>

Transition and Opportunity: Strategies from Business Leaders on Making the Most of China's Future

Editors: Huiyao Wang and Lu Miao

Publisher: Springer (February 17, 2022)

This book is open access under a CC BY-NC-ND 4.0 license.

Multinational corporations (MNCs) have long played a crucial role in the Chinese economy. This role is one that is set to continue in the post-pandemic era as China works to transition to a high-quality growth model that is more sustainable and innovation-driven. With global experience and front-line involvement in some of the most pressing economic, technological, and environmental issues of our day, leading figures in MNCs and chambers of commerce are well placed to share insights that could potentially contribute to policymaking and development strategies so that everyone can “make the most” of China’s future.

This collection of essays aims to share these invaluable insights with a wider audience, offering balanced and diverse perspectives from companies and advocacy groups working on a range of issues related to China’s domestic development, international economic cooperation, and China-US competition.

These insights are useful not only for the wider business community, but also for academics, policymakers, students, and anyone trying to deepen their understanding of this exciting period of “transition and opportunity,” and make the most of China’s bright future.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-16-8603-0>

The Asian 21st Century

Author: Kishore Mahbubani

Publisher: Springer (January 1, 2022)

This open access book consists of essays written by Kishore Mahbubani to explore the challenges and dilemmas faced by the West and Asia in an increasingly interdependent world village and intensifying geopolitical competition.

The contents cover four parts. Part one discusses the end of the era of Western domination. The major strategic error that the West is now making is to refuse to accept this reality. The West needs to learn how to act strategically in a world where they are no longer the number one. Part two discusses the return of Asia. From the years 1 to 1820, the largest economies in the world were Asian. After the spectacular rise of the West in the 19th and 20th centuries, even great Asian civilizations like China and India were dominated and humiliated. The twenty-first century will see the return of Asia to the center of the world stage. Part three discusses the peaceful rise of China. The shift in the balance of power to the East has been most pronounced in the rise of China. While this rise has been peaceful, many in the West have responded with considerable concern over the influence China will have on the world order. Part four discusses the challenges of globalization, multilateralism and global cooperation. Many of the world’s pressing issues, such as COVID-19 and climate change, are global issues and will require global cooperation to deal with. In short, human beings now live in a global village. States must work with each other, and we need a world order that enables and facilitates cooperation in our global village.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-16-6811-1>

Consensus or Conflict? China and Globalization in the 21st Century

Editors: Huiyao Wang and Alistair Michie

Publisher: Springer (September 28, 2021)

This open access book brings together leading international scholars and policy-makers to explore the challenges and dilemmas of globalization and governance

in an era increasingly defined by economic crises, widespread populism, retreating internationalism, and a looming cold war between the United States and China. It provides the diversity of views on those widely concerned topics such as global governance, climate change, global health, migration, S&T revolution, financial market, and sustainable development.

Free ebook:

<https://link.springer.com/book/10.1007/978-981-16-5391-9>

The Chinese Enterprises Globalization Series

This series contributes to the field of globalization and Chinese enterprises studies. It publishes completely up-to-date monographs dedicated to this topic. It also provides a wealth of the latest information regarding Chinese ODI. In addition to this data, the series stands head and shoulders above other work in this area due to its in-depth case studies on Chinese companies going global, all of which are based on thorough primary research.

Get more information at: <https://link.springer.com/series/16146>

The Challenge of “Going Out”

Editors: Huiyao Wang and Lu Miao

Publisher: Springer (November 2, 2023)

In an attempt to make sense of the complex process of adaptation that Chinese enterprises must go through in the course of “going out”, this book provides a multidimensional analysis of the driving forces, legal and systemic hurdles, as well as the risks and opportunities that Chinese enterprises must consider as they seek greater fortunes beyond their own borders.

Comprehensive surveys conducted on a range of enterprises provide the foundation for an overview of the current state of Chinese companies operating overseas and developing trends in their overseas investment. Specific topics include key challenges that companies face, their strategies and ultimate goals, as well as their practical experience in investing abroad, especially in Belt and Road countries. Also included are the insightful views of experts, scholars and entrepreneurs with a wealth of experience in transnational investment in areas related to the globalization of Chinese enterprises, including regional investment risk, overseas talent strategies, legal and compliance issues, and even the role of technology and the Internet in cross-border e-commerce, just to name a few.

It is our hope that this book will help readers better understand the current state of Chinese enterprises expanding globally, but even more importantly, we hope to provide valuable information for individual enterprises looking to “go out”, helping them clarify their investment strategies, make the most of opportunities, manage challenges and take their business to the next level.

More info:

<https://link.springer.com/book/10.1007/978-981-99-3326-6>

Strategies for Chinese Enterprises Going Global

Editors: Huiyao Wang and Lu Miao

Publisher: Springer (April 5, 2023)

This book carries out comprehensive research on the underlying problems regarding the globalization of Chinese enterprises. It also proposes practical solutions for dealing with difficulties in the legal sphere, legislation, international talent development, and financing solutions for Chinese firms going global. In light of the great opportunities and space for outbound investment, this book also provides insights on how to push forward the Belt and Road Initiative.

The insights herein help readers understand the basic state of Chinese enterprises in overseas development and has important reference value for enterprises looking to gain a better understanding of foreign investment strategies, make the most of opportunities and challenges and promote their development at a higher level.

More info:

<https://link.springer.com/book/10.1007/978-981-19-6120-5>

The Globalization of Chinese Enterprises: Trends and Characteristics

Editors: Huiyao Wang and Lu Miao

Publisher: Springer (May 22, 2020)

The internationalization of Chinese enterprises is one of the most notable aspects of economic globalization in the 21st century. Despite the 2008 financial crisis and weak global outbound investment, under the “go global” initiative, Chinese outbound investment has gone from strength to strength, while also diversifying in terms of investment modalities, destinations, and industries. However, growing anti-globalization sentiment in some countries has also created new challenges for Chinese firms expanding internationally.

Drawing on nearly 3000 data samples, using both quantitative and qualitative research methods, this book presents unique insights into the features and patterns of Chinese enterprises’ globalization. The analysis provides a useful reference for enterprises that have already gone global and those that plan to. In particular, this book investigates challenges confronted by Chinese companies when doing business in foreign countries. It summarizes research covering three angles, namely: the current situation, causation analysis and corresponding solutions, and recommendations for firms, government agencies and other institutions.

This book provides a comprehensive overview to help readers to grasp the broad picture of the international expansion of Chinese enterprises. It has important reference value for enterprises to help devise foreign investment strategy, seize opportunities, and navigate challenges in the course of globalization.

More info:

<https://link.springer.com/book/10.1007/978-981-15-4646-4>

International Talent Development in China Series

International talent is a leading force in China's economic globalization. This series features the latest research on international talent development in China, a country that, in recent years, has become the largest source of international education as well as immigration in the world. Topics covered by the series include but are not limited to: international education in China, China's overseas student returnees, China's international population migration, and regional international talent competitiveness in China.

Get more information at: <https://link.springer.com/series/16119>

China's Domestic and International Migration Development

Editors: Huiyao Wang and Lu Miao

Publisher: Springer (March 9, 2019)

This book offers the most comprehensive, up-to-date assessment of China's domestic and international migration. Restructuring economic development requires large numbers of educated and skilled talents, but this effort comes at a time when the size of China's domestic workforce is shrinking. In response, both national and regional governments in China have been keen to encourage overseas Chinese talents and professionals to return to the country. Meanwhile, the Chinese government has initiated a number of policies to attract international highly-skilled talents and enhance the country's competitiveness, and some Chinese policies have started attracting foreign talents, who are coming to the country to work, and even to stay. Since Chinese policies, mechanisms, and administration efforts to attract and retain skilled domestic or overseas talents are helping to reshape China's economy and are significantly affecting the cooperation on migration and talent mobility, these aspects, in addition to being of scholarly and research interest, hold considerable commercial potential.

More info:

<https://link.springer.com/book/10.1007/978-981-13-6256-9>

International Migration of China: Status, Policy and Social Responses to the Globalization of Migration

Authors: Lu Miao and Huiyao Wang

Publisher: Springer (August 8, 2017)

This book provides a systemic and detailed monographic study of Chinese outbound migration. It not only breaks down the basic trends of this migration with respect to destinations and the like, but also analyzes its unique features, which include the largely middle- and upper-class makeup of emigrants and their investment activities overseas, particularly when it comes to buying property. The Chinese are the largest foreign buyers of real estate in the US, Canada and Australia. By explaining this and other special aspects of Chinese emigration and their impact on China and receiving countries, this book provides a fresh and interesting look at this important phenomenon.

More info:

<https://link.springer.com/book/10.1007/978-981-10-6074-8>

Reverse Migration in Contemporary China: Returnees, Entrepreneurship and the Chinese Economy

Authors: Huiyao Wang and Yue Bao

Publisher: Palgrave Macmillan (October 8, 2015)

The authors investigate the phenomenon of highly skilled Chinese returnees and their impact on the development of the Chinese economy and society, and on the transformation of China into a key player on the global stage. They analyse the reasons why Chinese entrepreneurs choose to return to their native country and how their overseas experience shapes their attitude and behaviours. This study is solidly grounded on fresh data from online and offline surveys and on evidence collected in over 200 interviews of successful returnees entrepreneurs. These global Chinese returnees have contributed to the rise of Chinese economy into a global powerhouse and this continuing brain movement and circulation will have much more future implications and impact for China's exchange with outside world.

More info:

<https://link.springer.com/book/10.1057/9781137450609>

Other Publications

Escaping Thucydides's Trap: Dialogue with Graham Allison on China-US Relations

Editor & Author: Henry Huiyao Wang
 Publisher: Palgrave Macmillan (November 3, 2023)

The book raised the question of how relations between the US and China will unfold is one of the most consequential of the 21st century. In the past decade, perhaps no thinker has had a greater influence on how this question is understood in both the US and China than eminent Harvard scholar Graham Allison, who developed the idea of the Thucydides Trap to warn of the risk of war erupting between a rising power and a ruling power in the power transition process.

This book presents a comprehensive collection of Allison's views and writings on US-China relations from 2017 to 2022, covering a range of topics including the balance of power between the two sides, where the relationship is headed, and lessons from history on how conflict can be avoided.

The book is presented in an accessible Q&A format and draws on interviews, articles, and reports, as well as dialogues between Professor Allison and Dr. Huiyao Wang from the Center for China and Globalization (CCG), a non-governmental think tank based in Beijing. The book also includes an introduction and afterword by Dr. Huiyao Wang, CCG president and editor of this volume.

More info:
<https://link.springer.com/book/10.1007/978-981-99-2236-9>

China Goes Global: The Impact of Chinese Overseas Investment on its Business Enterprises

Authors: Huiyao Wang and Lu Miao
 Publisher: Palgrave Macmillan (March 8, 2016)

Mainland China businesses are going global, transforming the country from a manufacturing export platform into an overseas investment powerhouse. *China Goes Global* is the most thorough and up-to-date empirical analysis of the accelerating effort of Chinese companies to go global by investing overseas. It details the overall trends of this activity with respect to its sectors, channels, overseas targets, and particular firms, along the role of Chinese Government policy in facilitating business enterprise globalization. The book offers readers an enterprise level of view outward expansion by Chinese firms that is focused not only on the big-names, but also less well-known, but equally important trailblazing enterprises. In doing so it offers practical suggestions on how firms can tackle the challenges encountered when expanding outward.

More info:
<https://link.springer.com/book/10.1007/978-1-137-57813-6>

This open access book aims to help readers make sense of our changing world by sharing the views of global thought leaders on the rise of China, from evolving geopolitics, world economy, US-China relations, and EU-China relations, to major global issues like climate change, global governance and the emerging of Global South in policy development.

The fifty-one dialogues contained in this book are transcripts from the “CCG Global Dialogues” of online discussions hosted by the CCG President Henry Huiyao Wang in conversation with Global opinion leaders from renowned scholars of international relations, economics, and history, to journalists, policymakers, and business leaders.

The speakers featured in this book are Graham Allison, Paige Alexander, Fred Bergsten, Kerry Brown, Neil Bush, Barry Buzan, Kent E. Calder, Ronnie Chan, Ray Dalio, Niall Ferguson, David Firestein, Arancha Gonzalez, Richard Haass, John Hamre, Wolfgang Ischinger, William Kirby, David Lampton, Pascal Lamy, Leslie Maasdorp, Liu Yawei, Kishore Mahbubani, Aaditya Mattoo, Joseph Nye, Lord Jim O'Neill, Douglas Paal, Henry Paulson, Noah Pickus, Stephen Roach, Anthony Saich, Lawrence H. Summers, Susan Thornton, Justin Vaisse, Martin Wolf and Wang Shi.

These wide-ranging discussions offer unique insights and perspectives on key trends shaping our world in the 21st century, China's relations with the world, the global challenges we face and ways in which we can salvage multilateralism and reform global governance, while also touching on new trends and tensions in geopolitics, as well as the evolving issues on China and globalization, the world economic outlook and transnational threats, and how the various actors to play a positive role in promoting peace and prosperity in the post-pandemic era.

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