

## China Research Group

### The Next Four Years: US-China Relations under President Biden

21 January 2021

*This transcript has been lightly edited for clarity and concision.*

**Tom Tugendhat:** Welcome to this evening session of the China Research Group. We are very lucky to have **Gideon Rachman** as our host this evening. I know he doesn't need any real introduction for an audience like this. But he is the Chief Foreign Affairs commentator at the Financial Times. He's also a very astute observer, not just on the world, but particularly on China. And so we're very grateful that he's made time this evening. We're very lucky also to have **Dr. Evan Medeiros**, the Penner Family Chair in Asia Studies at Georgetown, and a former Asia Pacific adviser to President Obama. And we're also lucky to have **Jude Blanchette**, who's the Freeman Chair in China Studies at CSIS. Thank you very much. Over to you.

**Gideon Rachman:** Tom, thanks very much. It's actually a privilege to be able to do this at this incredibly interesting time in US-Chinese relations, the most important relationship really in the world now and diplomatically. So, let's get straight to it. Evan, you did the job, the China job in the Obama White House, you know that people very well who are going to be doing the same jobs for Joe Biden. There's been a big shift, obviously, under President Trump. Do you think that that move towards a more confrontational policy with China will broadly persist? How much continuity is there going to be with what Trump did and how much change?

**Evan Medeiros:** Well, there will be both Gideon. We've already seen early indications of where the Biden team is going in the testimony of Tony Blinken, Avril Haines, even Janet Yellen; they consistently use the framework of strategic competition. And they focus on a variety of different economic, diplomatic and national security challenges associated with China. So it's very clear that the strategic competition frame is going to be the frame.

The question is, is what will be the policy expression of strategic competition? And I think that remains an open question. And there are a variety of issues that the team is going to have to make some early decisions on questions about first communication and dialogue. Right? How are they going to talk with the Chinese because unlike the Trump team, they don't believe that dialogue and communication is a form of appeasement. So how are they going to build the architecture of communication with China?

Number two, the Biden team has talked about cooperation. And so the question is, where the questions are, when, where and how are they going to cooperate? And when they face trade-offs between competitive strategies and cooperative strategies, how do they adjudicate those differences?

Number three, where do values sit in the US-China equation? The Trump team spoke out of both sides of their mouth on this. Trump notably didn't care about values and reportedly, according to John Bolton, told Xi Jinping 'do what you need to do with the Uyghurs and we don't

care about Hong Kong', whereas Pompeo and some folks in the White House had a very different approach. Tony Blinken, in his testimony, already called out China for genocide, for its treatment of the Uyghurs. And so the third question really is to what extent will the Biden team frame the US China relationship as a systemic values-based rivalry?

Fourthly, economic policy, what are they going to do with the tariffs? What are they going to do with this massive sanctions regime, these big lists of Chinese companies who are under restrictions for US companies to do business with? And then more generally, what is the Biden approach to tolerance for risk and friction in the relationship? To what extent are they going to be willing to assume some risk, tolerate friction as a way to pursue strategic competition? I don't want to prejudice the outcome. I know the Biden team, having worked with them in the Obama White House, whether it's Tony Blinken, Jake Sullivan, Kurt Campbell, are all very experienced when it comes to dealing with China. They're very shrewd, and I'm confident that they're going to make good judgments and judgments that are less about confronting China, and more about competing.

**Gideon Rachman:** And Jude, how do you think there'll be seeing this in Beijing? I mean, I remember myself being there in 2016, ahead of the Clinton-Trump election, and getting a strong sense that the Chinese basically preferred the idea of Trump, they thought a Republican will be more transactional and will be less focused on human rights. I guess in many respects, the Trump administration was a nasty surprise for them. The trade war was tougher than they anticipated. The rhetoric was very extreme. Do you think they will welcome now the return of the Democrats in the White House or will they be wary because of this new emphasis on human rights and so on?

**Jude Blanchette:** Yeah, that's a great question. I should say at the outset, I think Beijing is clearly much better calibrated for the incoming Biden administration than it was for the Trump administration. As you said, there was a bit of wishful thinking in Beijing. But frankly, a lot of us were surprised at how the course of the four years went under Trump and what the actual practice of foreign policy would look like. Evan and I are on lots of these sort of track one point fives, and you talk with a lot of interlocutors in Beijing, and I think for the better part of three to six months as they've been trying to ferret out what a possible Biden administration would look like. I think they're clear on this idea that rivalry or what we call strategic competition, but from Beijing's perspective, rivalry is the norm now.

And what Beijing is trying to do is find ways that it can essentially put a floor underneath the deterioration of relations by, for example, leveraging market access. It's obviously done this quite successfully recently with the CAI, but leveraging market market access, and also holding out the possibility of cooperation on you know, big, meaty issues like, like climate change, but they're under no illusion that the debate in the United States has fundamentally shifted on China. And I should say, China, although it's having this near term tactical discussion of how it wants to deal with Biden administration.

Gideon, if I didn't quote from your recent column, I think your idea that the disarray of the United States as being China's opportunity. We need to understand that from big Beijing's perspective, it is a rising power, the United States is a declining, structurally long declining hegemon. And so Beijing has also had a, I think, a permanent sea change in how it's thinking about the global balance of power. If you read commentary that's been coming out of Beijing strategic thinkers over the past six months, they've been laser like clear that they are seeing a forget about Trump, forget about the Capitol riots. This is all part of a broader power shift that is enduring and structural. And so I think the other thing we need to recognize is that we're going to be dealing with a different Beijing moving forward, one that is not only holding up dysfunctionality in the United States for propaganda value. China organically believes, or I should say the Xi Jinping administration, organically believes that its governance system is superior to the west. If 2008 spelled the end of the US neoliberal economic system as a model, clearly the past four years are the final death knell of Beijing looking to the West for ideas on how it should structure its governance system. Xi Jinping is pedal to the metal that they have found the secret sauce of a governance system that combines state and market autonomy and centralization of party and state. What they're trying to do now is refine it. They're not looking out to the outside world for answers anymore.

**Gideon Rachman:** So, Evan, I guess that points to the fact that obviously we started with where the change is, which is in Washington, and how will Biden adapt policies. But, of course, as you know, this isn't a static picture, and they could get some nasty surprises coming at them from changes in Beijing. And I guess, one thing we've all been focused on for some years is the threat of Chinese action over Taiwan, military confrontation there, or more incremental stuff in the South China Sea. I mean, you started with a list of concerns the Biden team will be worried about, but how do you think on this - the most basic and the most dangerous issues? How are they going to play the military side of it?

**Evan Medeiros:** How is the Biden team going to play the military side? Is that your question?

**Gideon Rachman:** I mean, for example, Trump has radicalized policy a little bit on Taiwan, will they dial it back? You know, are they going to continue with foreign ops in South China Sea, more or less?

**Evan Medeiros:** On the military dimension, I would expect a more sound activist and creative approach. In other words, the Trump team didn't really invest systematically, in building out new concepts of operations, acquiring new capabilities, beginning to think about operating with allies and partners in new in different ways. And in other words, the United States faces a very serious challenge in PLA modernization, especially within the first island chain in East Asia, because of the modernization the PLA has undertaken.

And as a result, the Defense Department needs to really accelerate its shift away from a ground force-centric counterinsurgency-centric military, to a military that's much more focused on projecting and sustaining air and naval power for an extended period of time, because that's what it's going to take, if, if the US is going to be able to continue to deter Chinese aggression in

and around Taiwan, and more broadly. And so I expect a Defense Department that is going to be laser-focused on that particular priority. In terms of acquisitions, in terms of new thinking about strategy and doctrine. You may have noticed that the Congress recently passed something called the Pacific Defense Initiative, which is sort of a blueprint of sorts based on the European Defense Initiative, which the US adopted after the Russian invasion of Ukraine, and the whole idea behind it is to mandate the acquisitions of a bunch of different capabilities and studies to address this whole issue of PLA modernization. So, I expect the Defense Department do much more in the DoD realm to address the China threat.

**Gideon Rachman:** Right. And Jude, how do you think the Chinese are likely to play that particular set of issues? I mean, their rhetoric on Taiwan is sometimes pretty ferocious, but and as you say, there does seem to be a mind shift towards the sense that America really is in decline, and this is their moment. Do you think they they might take risky actions or ultimately will they continue to exercise restraint?

**Jude Blanchette:** I think, while we've seen a more aggressive China especially under Xi Jinping, we've not seen a suicidal China. China has done best by, was it Lenin who said, probe with the bayonet - if you feel flesh, push, if you feel steel, you retreat. So you know, some of these questions have come about, is Xi Jinping feeling his oats? Or is he going to miscalculate on the speed or the velocity of American decline and take a risky action, for example, to invade Taiwan? I think that's it. I think that's a zero possibility. Beijing's operative strategy right now is to keep Taiwan from going independent, not to invade and occupy because of again, Beijing's smart enough to have observed what happens for occupying powers. And so the single biggest factor keeping Beijing from invading and occupying Taiwan - forget some of the concerns about how its force will fight. In actual fact, having not had any military conflicts since 1979 - Beijing's very much concerned about what does Day 2 look like? You know, you've you've taken over a country, you've decimated its economy. What have you essentially got other than an island that you're now going to have to occupy? You will have deep sixed your relations with with most countries.

So I think something else we need to be prepared for is Xi Jinping is likely well, undoubtedly going to take a third term as General Secretary next year at the 20th Party Congress. We have to open the aperture for possible behavior of the Chinese state after Xi Jinping is further ensconced as a singular figure in Chinese politics. You know, one of the things that we saw under Mao was, put aside for a moment some of the mid-60s radicalism, the unrivaled power that Mao had also allowed him to take fairly bold initiatives. For example, inviting Nixon to visit the country because he didn't worry about political opposition. So Xi Jinping is a fairly calculated conservative figure. Xi Jinping, I think, has done a very effective job in his tenure in power of pushing out the boundaries of Chinese influence, but in ways that are salami slicing, without really bringing on the full antagonism of countries like the United States. But I see that moving forward, I actually might expect a more cautious approach from the Xi administration, as it attempts to essentially consolidate and hold its gains. It's not looking to pass its influence, you know, into the Atlantic Ocean here. And so I think we have oftentimes too much of a straight linear progression of Chinese aggression and expecting it's going to end up on the moon.

**Evan Medeiros:** Can I come in here Jude? I just want to double tap Jude's point, because Chinese assertions and aggression often go in cycles. And I think we're about to enter a very interesting cycle. Jude and I have talked about this before, there are three key dates coming up that create incentives for the Chinese to focus more domestically, and as a result to avoid external instability. So the first is in July of this year is the 100th anniversary of the founding of the Chinese Communist Party in 1921. Right, huge political event for Xi Jinping. And I'm going to borrow a phrase from Jude, it's sort of the kickoff of Xi Jinping's reelection campaign in terms of its significance. Date number two, the Winter Olympics in China, in February of 2020. The Olympics as an international event that China hosts is always a caution-inducing event. In fact, if you look back at 2008, when it hosted the Summer Olympics, the Chinese sort of opened up momentarily, to present a more positive image to the world. And then, of course, as Jude pointed out, in the fall of 2022, you have the next Party Congress in which Xi Jinping is trying to pull off the hat trick of a third term unlike, you know, basically any Chinese leader in the reform era.

Those are three very significant domestic challenges. And so I think I could imagine the Chinese thinking 'hey, we don't need to pick fights with anybody more in the region'. Now, that doesn't mean that if, if, if the Chinese are provoked, that they won't respond confidently, and forcefully. But I think you need to look at macro incentives. And as Jude said, Xi Jinping is not reckless, right? He's not Putin. He's very careful. He's very calculating, and he's very attuned to his domestic political and his domestic economic needs. So it's possible that we could be entering into a different cycle worth consideration.

**Gideon Rachman:** Yeah. Just to push back then I mean, for the sake of argument, if he's so calculating and careful, why did they kill Indian troops in the Himalayas? Why have they been bullying Australia, which is quite a connected country, in this flamboyant way? Why have they upped the rhetoric so much? In the past year? I mean, how do you explain the past year? How does one fit, you know, your relatively reassuring words with the pattern of last year and Hong Kong?

**Evan Medeiros:** So to be clear, I'm not meant to be reassuring in the sense that I don't see a challenge from China. My point is simply we need to understand the nature of the challenge we're dealing with. And I think when you look at China's behavior with India and Australia, they basically calculated the cost is worth the benefit, right? In other words, we can provoke Australia, and it's not really going to cost us that that much. And I would ask you what, what cost exactly has China paid? And, you know, they calculate that cost by taking into account domestic politics. So of course, all of us in the West sit here and think God, you know how awful Chinese wolf warrior diplomacy is, and they're alienating the rest of the world. But amid all of that, Europe turned around and signed a investment agreement with them after the Chinese rope-a-doped them for seven years. So if you're trying to you're thinking, I actually really haven't paid that much of a cost. And the upside benefit, we believe is pretty substantial. Jude, what do you think?

**Jude Blanchette:** Not so that Evan and I just go in a circle foot stomping with each other, but I actually think this is just such a crucial insight. And if I can go further, I think there are two countries in the world that don't spend much time thinking about what the outside world thinks about them. That's the United States and China. These are two countries where if you look at domestic discussion, and debate, it is almost exclusively focused on what's in our best interest, what's happening within our borders, what do we need to secure our own national interest?

I 100% agree with Evan's point here. If I'm Xi Jinping, and I'm looking - and you can see this reflected in the giddiness of his New Year's address. He's thinking, 'how am I so lucky that I just got through 2020? I essentially won the year.' We started out in January with frankly, idiots like myself saying that this was going to spell the collapse of the Communist Party because, you know, COVID

**Evan Medeiros:** China's Chernobyl, remember that one Gideon?

**Jude Blanchette:** And, we move through the summer where we're, of course, talking about China encircled by the United States in this rising tide of a united front against it. As Evan said, wolf warrior diplomacy - we can read the articles through the summer saying that this is essentially China bearing its fangs and the world is reacting accordingly. Then we get RCEP, then we get CAI. And then we get China coming in at two plus percent growth and 6.5% for Q4. And now looking at growing 6% a year. You know, as Evan said, let's look at the year Xi Jinping has in front of him. He's got a lot to be buoyant about, 100th anniversary of the party, which is a big middle finger to everyone who's been saying Leninist systems are inherently made of feet of clay, Winter Olympics.

And so I think that the real lesson here is what accounts for Chinese aggression? The real lesson is how can we not have been finding ways to impose costs on Beijing behavior in meaningful ways that get them to rethink their behavior. Xinjiang; Hong Kong, these to them are domestic matters. I think we also need to be able to start segmenting, differentiating, for example, border territorial disputes with India, from economic coercion in Australia, from Hong Kong, from Xinjiang, we often put these in one bucket. But all of these have different calculations for Beijing. There are some of these where we are going to be able to impose meaningful costs, for example, Australia. We can think of ways in which we can say to Beijing, this is what there's discussions about, do we have a new economic NATO, for example. There are others like Xinjiang, where we found that the driving, motivating force behind that is so visceral and deep within Chinese fears about political instability, we need to be prepared that that is going to be just an infinitely harder challenge to impose meaningful costs on. But to me, the big takeaway is: we don't understand enough about where the pressure points are in Beijing's internal logic to be able to impose costs.

Evan just did a great job of showing why if you actually understand domestic politics in China, there's an 18 month window now, where if we were smart, we'd be thinking about how do we leverage those, those domestic concerns that Xi Jinping has over 100 anniversary, the party,

the Olympics, and his 20th Party Congress? How do we salami slice against China leveraging those domestic instabilities?

**Evan Medeiros:** Right, I think the question is, can the US and its allies start assuming risk on issues that the Chinese don't like us pushing the envelope on, knowing that they're really not going to react that harshly?

**Gideon Rachman:** OK, Evan, last question for you before I let far more important people than me ask questions to you, various MPs and so on. But, you mentioned the kind of dismay, or implied the dismay in Washington, that the EU signed this investment deal with China. So, as you talk about applying pressure to China or looking for their pressure points, what role for allies? Will the Biden team now try to bring the EU on board? Or may they indeed, look now to London or to other countries, other places, Delhi probably, as perhaps more reliable partners in in trying to frame a global response to China?

**Evan Medeiros:** So to me, Gideon, this is probably the single most important question in facing America's China policy. How do you operationalize this notion of collective action? It's very simple to cite it. It's very difficult to turn into reality. The logic of it is simply that when you have a collective voice, you have the opportunity to name and shame China, sort of demonstrating to China that they are out of step with an international consensus. So it's using at the first level, international opprobrium, historically that has had some effect on China. I think it's declining, but more importantly, to Jude's point, it's about affecting the Chinese cost-benefit calculation by denying them access to various things they might want: markets, capital, technology.

The US used to have the pride of place in that. Either denying or conferring access, simply because the US market was so important to China, and America was so important to China's conception of itself globally, that has changed as China has really diversified its sources of security, prosperity, and validation. And that's why the theory is that the United States in concert with European friends, both the UK and Europe, can begin to affect that cost-benefit calculation. Obviously, that's been challenged by China's 11th hour offer with the EU, right? It punctures, at least initially, the ability to quickly operationalize America-EU cooperation. But I still think there's a real opening for the US and the UK, in the sense that our perceptions of the challenge, a convergence in the toolkit we're willing to apply to it, a convergence in our politics. And, I would like to see this become one of the channels by which Joe Biden and Boris Johnson begin to build their relationship is working together on the China challenge. So I think Washington and London have a fantastic opportunity in front of them.

**Gideon Rachman:** Okay, just a quick follow up before I go to Neil O'Brien MP. But what realistically, can London bring to the party? I mean, militarily, America has a huge presence in the Pacific. The UK doesn't. The economic relationship between America and China has its own dynamic, it's a much broader relationship than the one that UK has with China. What actually, I mean, apart from rhetorical support, maybe that's enough? Would Britain be able to provide?

**Evan Medeiros:** Well, I think there are a variety of different baskets, you know, diplomatically coordinating our approaches on major challenges like Hong Kong and Xinjiang, which we're already doing. I think we're witnessing right now the emergence of a very interesting Anglosphere: America, Britain, Canada and Australia, coordinating visa policies, creating opportunities for those in Hong Kong that want to come to the United States, UK, including studying. As the Biden administration looks to rebuild America's profiling at international institutions like the UN Human Rights Commission, etc. I think there's a lot of space for US-UK cooperation on technology policy, and making sure that our economies retain our leads and critical technology, so coordinating on export control technologies, I think that's another important area.

Militarily, obviously, the United States because of the nature of its substantial interest, as well as its capabilities will always be the dominant security actor among the Anglosphere. But I think, consistent demonstrations of support by London, like that carrier operation in the South China Sea. It may be symbolic, but those sorts of symbols matter, especially when, you know, Britain remains a member of unique agreements, like the Five Power agreement, operating your power off the Malaysian peninsula.

And then, of course, there's economic policy and coordinating economic policy to push Beijing for a more level playing field. Now, the challenge with all of these is that there are costs associated with them. And are Washington and London going to be aligned on absorbing those costs? I think that's going to be a real challenge. But I'd like to see the conversation begin. I think it needs to begin at the top level. And when I was at the National Security Council and met regularly with my friends and colleagues in the Foreign Office, I can tell you among this China specialists, and this was years ago, and an enormous amount of expertise and support for a greater degree of coordination and collaboration. So I see the upside as very substantial.

**Gideon Rachman:** OK, let me bring in some of the audience. Neil O'Brien, do you want to come in?

**Neil O'Brien MP:** Thank you, all three of you - fantastic discussion. I wondered how our panelists read the intervention, to announce sanctions on some but not all of the people involved in China policy from the last administration on Inauguration Day. I wondered, particularly given that the sanctions apply to the families of those people and to any companies that they're interacting with, what that tells us about the way the CCP leadership are reading the West. And I also wondered, in terms of the people who are coming into the administration are expected to come in the people around it, if there were any obvious kind of differences of emphasis between different people who are coming in about the way to handle this. Within the Trump administration, you could identify certain people who had a particular take and other people who had a different take, and I don't know whether there are people who are coming to this question in the new administration with a clear track record, maybe not, I don't know.

**Jude Blanchette:** Maybe I'll just take a quick whack at the sanctions question. Just two thoughts on this. One is, Beijing has essentially had one playbook throughout the Trump



administration, which was a lowercase tit-for-tat response, wherein anytime the US would take an action, Beijing would have a corresponding action, which came just up to the line, but was very careful not to escalate. And this, of course, was because Beijing was trying to impose some sort of cost on the US, but also signal domestically to Chinese audiences that it wasn't essentially laying down for this. So one thing is, I think just contextualizing, notice that the sanctions were on when they were on their way out the door to a group of officials for whom I don't think there's any love lost in the incoming administration about how these folks handled much of the China question. As we were joking before, I don't think John Bolton had vacation plans in China anytime soon. The interesting twist, of course, on this is that Beijing is trying to essentially say, but you're also not going to get your cushy gig consulting or on a board, for any company that's doing business in China. Sure, that's a cost. But I think this still to me, is very much within Beijing's playbook of being very careful not to escalate, but also signal some degree of resolve.

Finally, just strategic point, Beijing clearly sees sanctions as being a tool in the toolkit. Now, for the United States, I worry that sanctions are the new tariffs. Sanctions are just a really great way for us to feel like we can surgically pinpoint a target. But of course, sanctions matter, so long as the United States has a dominant position in sort of critical choke points, especially in financial markets. One of the things Beijing is furiously doing right now, is trying to create a parallel set of financial institutions such that it can lessen the price, or the impact of US sanctions. We still have dominant authority here, this is still a powerful, painful tool. One of the things we might want to start thinking about moving forward, though, are we over-relying on sanctions and do we want to sort of save the sanctions ammunition and not overuse these? Because, frankly, it's not just China, our allies and partners are getting frustrated by some of the knock-on effects of the US over-reliance on sanctions.

**Gideon Rachman:** I think that that was a very good reply. Interesting reply. And Evan, just briefly before I bring in Damian Green, do you think America is over-reliant on sanctions? And do you think China might be able to find ways around these what looked like very, very powerful financial sanctions at the moment, which forced Carrie Lam, for example, to be paid in cash?

**Evan Medeiros:** As a former White House official, I'm deeply concerned about the sanctions that the Chinese levied on the 28 US officials, and I think they're highly destructive, because they're, at first glance, about punishing the Trump team. But they're also about sort of cautioning anybody else going forward. Right, about taking an action that could affect them, their family, you know, or their future, right. I mean, I'm a professor at Georgetown. Does that mean that, if I go into the administration, the Chinese sanction me and go back to Georgetown, that suddenly Georgetown can't deal with anybody in China because of that sanction? So I think this is a classic example, where collective action and hearing a rejection of these by the international community, including, you know, many Western democracies, Britain, France, etc, I think is imperative. The Chinese need to know that they have stepped over the line, and that this kind of action is not going to be acceptable, because here's the thing. They start with the United States. And guess who's next?

**Damian Green MP:** Thanks very much both. Sort of American question, do you think the Biden administration will want to set up new institutions of democracies to sort of encircle China? So not just the traditional NATO allies, but also Japan, Australia, and maybe Taiwan, so on? So that it's bigger than the traditional West? If you like, do you think they'll set any value for that? And as it were, on the Chinese side? Clearly, their economic imperialism over the past decade has been tremendously successful. And we've talked about the fact that the EU is still willing to sign investment deals with them, despite everything that's happened over the past 18 months. And yet, there is now some feeling, particularly in poorer countries, that the Belt and Road initiative just means long term debt bondage. Do the Chinese administration recognize any problems with the model of how they have imposed themselves successfully around the world economically over the past decade?

**Evan Medeiros:** Jude, I'll take the first one. I'll let you take the second one. So on democracy coalitions, Damian, I think you're absolutely right that the Biden administration is going to lean into working more with democratic friends. And that's not just in Europe, it includes in Asia. So President Biden has talked about convening a conference on democracies globally. And a big component of that is working more with the big democracies in Asia, India, Japan, South Korea, Australia, and even Indonesia.

But I think it's important to keep in mind, this is not about containing China, I don't think that containing China is either feasible or desirable. But that doesn't mean this is not about shaping the environment in which China makes decisions, right, and, for example, shutting off avenues that the Chinese would use to sort of promote their ideas about economic governance or political governance as we enter into a period, that Jude rightly pointed out, in which the Chinese are feeling pretty confident about their decisions, their hybrid model of state and market. But more importantly, their approach to political governance, a one party system that's all about using the party to increase administrative efficiency as a way to give people sort of a better life. And I think that they feel that they scored some big successes in 2020. And that's reflected in how positive I think middle class Chinese are feeling about how their government dealt with COVID. And in that kind of environment, I think it makes sense for America to work with democracies. And in order to sort of short circuit some of these initiatives to promote new and different ideas about economic and political governance.

**Gideon Rachman:** Jude, on Belt and Road.

**Jude Blanchette:** If I can throw in two sentences, following up on what Evan just said. And this is where I would recommend we take a page from Beijing. The discussion in Beijing is not around how do we deal with the America challenge. The discussion in Beijing at a deeper level is about how do we implement our longer term strategic ambitions and our grand strategy which is about very much the world that China hopes to shape and the role that China wants to play in it. I think we should take a page. Evan was saying as much: we should be investing in ad hoc and more structural coalitions of democracies, not with the explicit purpose of dealing with China. But to actually just strengthen democratic institutions and a free and open global order, of which dealing with China is a subset of that. But too much of the discussion I feel is about

dealing with the China issue. I think we need to do as Xi Jinping does: have a vision and a grand strategy, of which China is a critical component. Maybe it's semantic, but so much of what we're talking about is everything steered towards the China challenge. And I feel like that perverts what should just be a focus on, what is the world that democracies want to live in? And how do we help shape that?

I probably used most of my answer time on that. So I will just say quickly, on the ability of self reflectiveness within China's system here, I'd say the picture is mixed. Certainly Beijing is recalibrating the Belt and Road initiative. I don't think it or I should say its broader state capitalist model of which Belt and Road is an important component. I don't think, however, it's because it is getting feedback from recipient nations about debtor problems. The single biggest driving restructuring factor in Belt and Road is return on investment in Beijing. Despite growing at likely to be 6% there has been another paradigm shift in Beijing's external outbound FDI framework. And that is, Beijing is in a resource scarce mindset now, I think certainly since the global financial crisis, but really the Xi Jinping era has brought along with it a recognition that the times when Beijing had infinite amounts of capital, and FX to be splashing around the world are gone. And so what you have seen, especially since 2015/2016, with the domestic equity market meltdown is Beijing has now been retooling, rethinking about how it wants to be using capital. It wants to be channeling more of it inward into innovation ecosystems, and whether this is going after or pulling in the leash on Wanda, HNA, Anbang, and basically saying, you're not going to be buying bowling alleys in New York anymore, or on the BRI, recognizing that these investments come with risk. And if we're not getting returns, it's not a very good bargain to essentially have a nation indebted with us if we haven't calculated what the ROI is. So I think there is a retooling going on but it's not because Beijing is worried about hurting the feelings of recipient nations.

**Gideon Rachman:** Great, thanks. So next in the queue is Nick Timothy, who used to be Theresa May's consigliere and has now crossed over to the dark side and joined me as a journalist and a newspaper columnist. Nick?

**Nick Timothy:** I think in the West, we spend a lot of time worrying about sort of relative decline, and our own weaknesses, but I wondered what the two of you thought about China's own weaknesses or where the pressure points are, they obviously need a quite high economic growth every year. They will face their own sort of regional pressures and potential over-extensions around the world. So I wanted to hear a little bit about that.

**Jude Blanchette:** Yeah, that's a great question. Just as a framework thought, one of the things we need to really start investing in is looking at the CCP. And looking at both sides of the ledger, I think a much more calibrated understanding of the sources of resiliency within the system, which have continuously frustrated 15 of the last 20 collapses of the political system that we have called over the past four decades. But I agree. There are new sets of fragilities or weaknesses entering into China's system right now. One of the most obvious sorts of pressure points we have is almost every domestic challenge that China confronts right now or that the Xi administration is looking at: Xi Jinping sees technology as the answer to getting out of that trap.

I don't care what it is, you're talking about urbanization, demographics, productivity. Xi Jinping is the ultimate techno-optimist. They see this for geostrategic reasons, they see this for domestic reasons, but as you know, Beijing's experience trying to create the C919 through Comac indicates China is very much dependent on access to outside capital, talent and technology. And most of the good stuff is being created in advanced economies, which happened to be democratic and market-based. This is one where we hold this extraordinary amount of leverage, and is one of the reasons that the Xi administration is racing towards a kind of a delusional fantasy of self sufficiency. But this is one where Beijing has been, I think, pretty adept at dividing and conquering, and critically leveraging its massive domestic market size, as an appetizer or as a tool in its toolkit to try to frustrate any traction that coalitions can get to think more strategically about when and where they allow Beijing access to technology.

The one final point I'd make on that though is, and I think I've alluded to this, when he said, we're not looking to contain China, we need to think of ways to shape Beijing's behavior, but in ways that don't substantively or symbolically make it look like we're trying to shut off 1.4 billion people from reaching a level of prosperity and modernity. Beijing has tried to link those two and essentially say China and the Communist Party are inseparable. Anything you do to the CCP you're doing to the Chinese people. I think we need to have a more sophisticated way of responding to that, where we're both penalizing bad behavior from the Chinese party state, but not for example, shutting off doors to prosperity, which would be ethically dubious as well as strategically dubious.

**Gideon Rachman:** Okay, I mean, because time is rushing on Evan, if you want to respond to that maybe folded into the next response. Let me now call upon Bill Esterson, who's a Labour MP, who will post the next question.

**Bill Esterson MP:** Thanks very much. You just got me thinking about CPTPP. The UK Government stated its intention to or desire to join. We've heard some interest about the US doing so and potentially about China. What's the significance of all of that speculation? Or is it just noise? Where might it lead to?

**Evan Medeiros:** First, the fact that the Chinese announced that they're interested in CPTPP is enormously important. And it should be seen as part of a package of economic moves by China with strategic significance, joining RCEP, announcing that they're going to be interested in joining CPTPP in the future, and then signing the investment agreement with the EU. It's all about reducing its exposure and vulnerability to the United States, and showing that it has lots of alternative options. And in particular, the combination of RCEP and CPTPP only puts the Chinese economy more at the center, and increases the strategic alignment of economies, leaders, and consumers in Asia, with China.

And so that's why I think, Britain joining the CPTPP is an incredibly important move, I hope you move in that direction. Because the key thing about CPTPP is it's not just about bringing down tariffs for exports, as important as that is. CPTPP has a variety of rules, or disciplines related to things like state-owned enterprises, related to things like government procurement, that are all

about raising the standards for accountability and transparency, and ultimately, how market economies should operate. By Britain joining, what that does is it expands the world of CPTPP. And, you know, for the Chinese to make it into CPTPP would be hard, they would have to adopt and implement a variety of pretty significant reforms that would move them away from some of the most distorted economic practices that they engage in right now. So, to me, Boris Johnson's move towards CPTPP and his efforts to grow economic links with India are really smart strategic moves to suggest to China that Britain has alternatives, and that Chinese coercion against Britain just pushes Britain into new interesting directions full stop.

**Gideon Rachman:** I suppose there's no chance that the US itself will join CPTPP, having helped to design it.

**Evan Medeiros:** Too early to tell. I mean, politically, it's hard and difficult. Let's see how the Biden administration unfolds.

**Jonathan Djanogly MP:** If there is a Western/democratic coalition built against China - if that were to happen, would China be able to reciprocate with its own coalition? And what are the chances of a new Cold War coming up as a result?

**Jude Blanchette:** Well, thank you very much. That's a great question. I'll give a few starting thoughts. Beijing has always had a quite a thinness of partnerships that it can draw on that are substantive and as sticky, compared to the United States and the UK and other democratic systems which are bound together by a number of factors, at the center of which is a shared understanding or relatively shared understanding about the world that they would like to live in. Beijing, having only one formal ally, and not a particularly reliable one, has relied mostly on the checkbook and coercion to be able to draw countries in line.

And what that means is, whenever it is able to form a sort of a de facto grouping, it's relatively thin, unstable, and to me, quite fragile. So this is one I think, we just have not been putting our best foot forward and the outgoing administration in the United States has a lot to blame for that, among other factors. But this to me is really where the investments need to be made on drawing together and leveraging the extraordinary strengths that market-based democracies have, that we have just been laying by the wayside. And again, we'll put enough blame on the United States for that. We have a strategic advantage over Beijing and our ability to pull together ad hoc and enduring coalitions and partnerships that they just don't have. Beijing is very much alone in the world. And especially so when you remove the checkbook.

**Evan Medeiros:** One additional point, I think it's pretty clear that there is an emerging competition of values, ideals and perhaps even ideologies between the United States or the West and China. But I think it's important to keep in mind this is not going to be Cold War, like in the sense of Block A and Block B. But rather we should think about it as shifting coalitions of the willing, on distinct issues. So on the Hong Kong issue, as I mentioned, America and Commonwealth countries, right on the Xinjiang issue, perhaps it could be those and others. On certain technology issues that touch on how democracies operate, you may have a different

coalition. So I think it's important to think in terms of a different model than existed during the Cold War, and that it would shift and change over time. Participation and the actions undertaken would essentially be different. And that flexibility, I think, is an advantage. That'd make it very difficult for Beijing to respond to.

**Gideon Rachman:** Okay, we just got about five minutes left. But Ian Mukherjee, who's next has quite a direct question.

**Ian Mukherjee:** You know, as we've discussed, it's been an aggressive year from Beijing. If you look at Hong Kong, and actions against the Uyghurs, which we all know, should the West boycott the Winter Olympics coming up to send a direct message to Beijing that we can't tolerate this kind of behavior?

**Evan Medeiros:** So my view is the US and democracies globally need to have this conversation. Absolutely. Because what the Chinese have done in Xinjiang to the Uyghurs is an affront to basic principles and values that we believe in. But boycotts only work if they're universal, or near universal. And, you know, if you just have a few countries here, or they're willing to run against Beijing on this, then it's not likely to be effective. But I think this is absolutely a conversation that democracies not just the West, but democracies globally, need to begin having with one another.

**Jude Blanchette:** Yeah, I see this, especially after the formal designation of genocide, and maybe seeing it slightly differently than Evan (which is refreshing for once because we've just been agreeing so much). It's been uninteresting, I think, even if the United States alone boycotts the Olympics, that would be an extraordinarily powerful, symbolic and substantive move. We boycotted before for very important reasons, in ways that I think stand the test of time. If China was a middling power with a small population, this would be a no brainer, it wouldn't have gotten a second Olympics.

So really, the reason this is giving us pause is because the cost associated with both in financial costs, but also in terms of some of the other traction we want to get with China, on climate, some of these other challenges is giving us pause. And that's fine. That's good. We should be thinking about second and third order effects and unintended consequences. We have just made an official determination - whether or not you agree with the outgoing administration - the US State Department has officially designated what's going on in Xinjiang as genocide. The Biden administration and the incoming Secretary of State has affirmed that. I don't know how you go to send your athletes to the Olympics where there's a genocide going on. So this would be one even if the United States were out alone on this, I think this would be an important step for us to take.

**Gideon Rachman:** That's a very interesting thought on which to end. Let me just end by thanking you, Jude and Evan. But also, let me give Tom Tugendhat, who is the chair of the Foreign Affairs Committee, the chance to thank you in person and perhaps with some thoughts of your own time.

**Tom Tugendhat:** Look, I'm going to leave it there. But I have to say the answer on going to genocidal states for sporting events that I think is going to be a challenge that's just going to grow and grow as the evidence mounts. But that's, that's my own personal opinion. When I asked the Prime Minister about it in the liaison committee about four or five months ago, we didn't get quite such a clear answer. And may I just say thank you enormously to Gideon for hosting this. I think the level of questioning has been fantastic.

And we've seen that in the responses we've got, I don't know whether you guys will get the call from the new administration. But wherever you wherever you continue working, we do very much hope that you will keep in touch with us at the China Research Group here in the UK, and we'll be able to call on you again. This is only going to grow as an issue. And so, to everybody who's interested, please do sign up to our newsletter. We think Bill Bishop is on and so I must pay huge homage to the man from whom we drew such inspiration in his Sinocism and newsletter is absolutely brilliant. You should sign up for that, too. Thanks, Bill. But you should definitely come to more events. They are all public. They are all free. And they are all online. So to Gideon, to Jude, to Evan, thank you very much indeed. Good night. Thank you.