

*Jean Oi:* Mike \_\_\_\_.

*Speaker 1:* I'll try not to fall off here.

*Jean Oi:* Thank you. Now I'm gonna ask actually for a little bit of conversation between the two Mikes before we open it up for questions and answers. So Mike, did you –

*Speaker 2:* So I have a question. I want to go back to two things. One about China and one about this new consensus. And it's to both of you by the way. I'm looking at there's a lot of other experts here that might want to jump in. But first on the China side, what is the story? Is this a story about just normal, great powerness and this is just the way it always is and China's now a great power and they're rubbing up the United States?

Or is it a strategy that the communist party has had for decades and they've been really smart about it and now we're just seeing this reveal side. Or third, is it something to do particularly with President Xi himself? Because those are very different worlds, right, in terms of what is happening. In the first scenario there's not much to be done about it, but in the third scenario that means it doesn't last forever. And then maybe it's some combination of course. But help us understand, especially the role that you think Xi plays in this \_\_\_\_ that we're in.

And then the second piece to that is the reaction, right? How is it – it really feels like it was just overnight that we had – I thought a pretty healthy – I didn't follow this debate as close as you all of course, but it just felt like overnight suddenly there was this consensus, this phrase the new Cold War was being bantered about. The Democrats and Republicans, the new national security strategy – how do we account for that? And was that because we had such a flawed analysis just two or three years ago? And how stable is that consensus about this new idea that we're in a Cold War with China here on the American political elite side.

*Jean Oi:* Mike, I'd love to hear the answers.

*Speaker 1:* Both good questions. Let me start with your second one. There's a journal called Journalism. The author, a man, wrote an article in the journal of Journalism, and it's always stuck with me. So my answer's gonna be I think the media has something to do with this. And the media needs kind of a macro story, sort of big umbrella into which then editors prioritize the many submissions and so

forth. And so from the view point of being a journalist you have to relate to the macro story.

So for 40 years, broadly speaking with China, the macro story was China reforming, changing the world, progressing maybe not towards democracy, and I think that's been way overstated. But nonetheless, moving in ways, broadly compatible with U.S. interest. And so the individual story sort of fit, became little snapshots that illustrated the larger point. And so this gets to your question. I think Xi changed the macro story by what he had to say. And there were a couple of things that I think were really decisive.

At first I think that most of us thought he might rather be like his father. His father was I'll say a sidekick of Deng Xiaoping's, had been down in southern China in Guangdong Province and developed an ocean of special economic zones and open policy and so on. So when Xi Jinping came into office, and he went down to Guangdong, bowed at the statue of Deng Xiaoping and all this, that all made sense – continuation of policy, broadly speaking.

But very shortly thereafter, and particularly at the Nineteenth Party Congress, he diverged in important ways. First of all, the party wasn't receding. Now the party was to control everything, and that's almost a quote, right? He also had the notion of the community of common destiny and in 2013 if memory serves me right, he gave a speech about Asia essentially for Asians.

So I would say Xi Jinping kind of have changed the macro story. And so now everybody's out there with a microscope so to speak scouring the activity for the way it conforms to this general direction. Now that's only part of what's happened, but I think the story has changed. And of course Washington is a single place full of thinktanks that are in essence intellectual surfers. They're trying to catch the next intellectual wave.

And so you've really got a self-reinforcing structure of media and policy-oriented thinktanks. I'm not trying to say it's a big conspiracy, but I think that's just kind of the core of what we're up against.

*Jean Oi:*

Let me just throw something out. In reading Mike Pence's speech, he was comparing China to Russia in terms of how much China – that what Russia was doing really pales in comparison to what China is doing in terms of trying to influence elections and other things. So what are your thoughts about this? And we know that

there are some behavior President Trump toward Russia that's a little hard to explain.

*Speaker 2:* Like influencing his views?

*Jean Oi:* And so is this then contribute to sort of focusing on China rather than on Russia?

*Speaker 2:* So that's interesting. I read the speech too. I would just say objective – how do I say that? Objectively, unlike the Vice President – no, that came out wrong. Let me just say, the way I see it, they're in very different places, vis-à-vis us and vis-à-vis the international system. Remember, we had the same argument for Russia after the collapse of the Soviet Union that was already in motion with China.

It was, they're gonna engage, they're going to join, and by joining and being a responsible stakeholder, we borrowed that term from U.S./China relations, that was gonna be good for the United States, good for Russia, win/win outcomes, that was the theory really I would say from 1992 until 2014. Russia was a laggard but they were on that trajectory. They joined the WTO 15 years later, whatever, but that was the same strategy. And the comparison is there were leaders throughout that period that agreed some more than others.

I think Putin himself had changed his views by the way. I think it's wrong to think of him as having the same set of ideas about the world and the West that he had when I first met him in the spring of 1991. But that was happening. And then there was this moment, his paranoia with regime change and this theory that we're out to get – we overthrow regimes we don't like. By the way, there's some data to support that hypothesis about American Foreign Policy.

But his extreme paranoia, especially when I was in the government through the Arab Spring, massive demonstrations against him, remember that, 2011-2012. And then Ukraine, another massive demonstration. And I think when he invaded Ukraine that's when he said okay, we're going our own way. If you kind of had one foot in the system and one foot to try to tear the system down, now he's outside of the system and he wants to see it collapse.

And he's done things, like annexation, that are radical violations of kind of the international rules of the game. In that respect I think China is not as a revisionist power as Russia is on that dimension,

in part because they haven't done those radical things, at least not yet. And two, China benefits from the liberal international order. This is the fundamental thing for me as a Russia person.

Why would you want to tear up the system that's been so beneficial for you for 40 years, and that's why I keep asking this question of intentions. They really want to break that all up? They really want to go and decouple and set up their own institutions? Something about that seems irrational to me.

The other piece I would add, just back to the geopolitics, because of that we do have this situation that Russia and China coordinate on in ways that I think – I'm not the expert on China – but on the Russia side, this is the closest they've ever been to China maybe in forever. Maybe there's four weeks after the revolution in China, but by the fifth week it had already fallen apart.

This is new and Russia sees this as a great thing. So all this stuff we've been talking about, the Russians love this. They're like, thank goodness the Americans are fighting – I just read a piece on the plane ride in today – how we need to prepare to fight two wars against Russia and China at the same time from one of those thinktanks you're talking about. And that is music to the Russian's ears.

One other thing in case I don't get to get to it and I want to come back to you, as Putin has moved in this way, I want to underscore not all Russians think this is a great idea. Most certainly if you're running a Russian multinational corporation that you depend on access to banks and trade, including by the way some of the oligarchs that are allegedly close to Putin, I know all these people personally, they don't like this. They don't like this isolationist push and they blame Putin. Not publicly by the way, 'cause that gets you into jail, or London or the Valley here. We have 60,000 Russians here in the Valley because they can no longer do the things they were doing earlier in Russia.

And my question back to you, both of you, is this however you describe Xi's pivot what he's doing, presumably there's some backlash to it. What are the contours of it? How do we read it? And is it a similar thing where privately maybe people are saying we don't like this trend, but publicly of course that would be dangerous to articulate that.

*Speaker 1:*

Again, I'll take the second one first and segue back into the – it seems to me not all Chinese, in fact many of the Chinese we meet

with, meaning western intellectuals going China are besieged by all the people who do not agree with what Xi's doing. And I think in a sense if it was only measured by who we talk to most of the time, we'd conclude that there's an enormous opposition. But we're not talking to at least, I'll say myself, a broad range of people. So how the distribution of opinion.

But who are these disaffected? Well first of all, the intellectuals. First of all, you've got a whole generation of intellectuals still remember the cultural revolution that Andy wrote so well about. And when you start seeing talk about having students sent to the countryside to learn, this has a lot of resonance with an earlier period. There's a kind of ideological quality. Intellectuals now are very careful where they talk with you, what they talk about and so forth.

I've said on the book I'm working on I started five years ago, I did my China interviewing at the front end of that. If I was trying to get the interviews today that I got four or five years ago, it'd be hard. Now maybe that's just me, maybe it's my subject. So certainly there are the reformers, the economic reformers that say look at relative free market economy's done for us. There's also the notion that critics of Xi have. We're giving away money.

Why are we building railroads in Laos for Pete's sake? We've got needs at home. So there's a whole group that are that. And then of course you've got a middle class. You've got 1.4 billion people, maybe depending on how you define the middleclass it's only 400 million, but the point is it's a big number. So long and the short of it is, I don't think everybody's lockstep with Xi.

*Jean Oi:*

Definitely. And not only our colleagues in China, but if you talk also to private entrepreneurs, they're very upset and they were very concerned about the end of term limits. It's very interesting also in Hongkong they're very concerned about this. And this is a question I'd love to get Mike's comment on too, 'cause essentially you're asking us, so what might turn this around?

And I think that perhaps the economic constraints, because for example starting last fall when the economy really was going down, that there were many, many attempts to reassure the private entrepreneurs that the state is still very much supportive of them and that they will be given access and support. And so depending on what happens to the economy, particularly as this trade war, perhaps some of these things will turn around. But I definitely want to underscore the fact that a lot of people are having to as we

used to say, she had this idea that when you're in public you get up, you know what you have to say.

And we know people who when they give public talks, there's a public talk. But then you go into a closed-door workshop and you hear very different ideas. So there is that return to the sort of malus period where there was this idea, I'm sure some of you have read about this app that people have. I can't remember what it's called. A study – *[inaudible comment]* right. This app, and people are supposed to spend X amount of time on this app, which is basically vetting the says of Tennessee and such.

But things like this, if you don't spend enough time you and your unit can get penalized – criticized. So we're returning to a period when people haven't seen that for decades. Unfortunately this could go on, but I feel like we should also give our audience a bit of a chance to answer some questions. So again, briefly introduce yourself and keep the questions short. Microphones? No? Scott.

*Audience:*

I'll speak loudly. Thanks for the comments both of you. The whole session's been fantastic \_\_\_\_ Professor Lampton. I thought you characterized a really important fact about the relationship that it's China's number one trading partner is 124 countries around the world, dah, dah, dah, and they have leverage over them. And that's what I've noticed in the past six months. I've been invited – suddenly invited to talk to Australia, New Zealand, and every one of them talks about the immense pressure that China puts on them in these bilateral relationships.

And then they turn around and say, and what are you doing, United States? We're gonna follow you, but we're afraid you're gonna sell us out. And you aren't building these coalitions when you can. And I think it's the characterization. This is the first time in the world that we've had two big powers in a competitive global economy. We had the two big powers that Condi described so well. They were completely autarchic.

So my question to you is, is it because we have turned our back, and I think Mike called it retrenched, is that what's giving Xi the latitude for him to go out into the world and instead of building our relationships and putting a single face to this Chinese global power and say this is how you play by the rules, these are the rules. And so I'm thinking that perhaps that's where we find the trigger, is as soon as we start going backwards that's when China was able to push out. So I'd like to hear if you sort of see it that way.

*Speaker 1:*

Just for parsimony let me start by saying yes, I see it that way broadly speaking, but maybe give a little detail. My project's been involved interviewing in seven countries outside of China in Southeast Asia. And what struck me is the repetitive theme, and I'll just mention three very rapidly – Cambodia. If you sort of read our press, Cambodia's in the hip pocket of China, it's got Hyosung, human rights is terrible, most of what I just said is true.

But nonetheless, we have an idea that they are clearly in the Chinese camp if we're gonna use that kind of phraseology. When I went there and interviewed, what struck me is they all said they didn't want to be as dependent really on China as they were. But that the United States imposes sanctions on them. We don't make available the kind of resources that China will make for infrastructure or even agricultural development and so forth. So they said we are able to move towards the U.S. if there was anything to move toward.

And of course we can talk about congress and doesn't want to necessarily get involved in war, so it imposes sanctions and we get all these sanctions laid on, easy to put on, never easy to take off, and pretty soon you've bound yourself hand and foot. So part of it is U.S., you call it retrenchment, but I would say activism that alienates us from this. The other is, of course China has resources it never had, will say relatively discretionary when you have financial repression in the communist party poli bureau. They've got a lot of resource.

That's why a lot of Chinese are saying, why are you spending it here, not there, and so forth. And China now has technology to export. Civil nuclear power, you know? Railroads. Highway engineers. China has a comparative advantage at building the things countries in this state need. So I would say it's a combination of Chinese capability and us withdrawing for lack of a better word.

The same story in Laos. The same story in Thailand. These are big, important, developing, rapidly growing economies, and China sees the potential, has the resources, has the decision structure that can decide to move whether their people are happy with it or not. And we're just in a different phase with a different resource balance constrained by law.

*Jean Oi:*

Mike, you wanted to –

- Speaker 2:* Just two things. Just generally about trade, and again thinking of the Russian experience, in Europe everybody worries about European countries being dependent on Russia for oil and gas exports. Always remember it's a two-way street. And trade is a little bit different, but Russia has a lot of excess capacity when it comes to producing this oil and gas. And if they don't sell it, it's bad for their economy.
- And I think there's parts of that dimension to the China story. They have a lot of excess capacity in these things. And the notion that they can just shut it down if you don't pay our debts I don't think it's true. So these countries have more leverage than you think, right? The old adage when you owe the bank a thousand dollars, you have a problem. If you owe the bank a billion dollars, the bank has a problem.
- And I think over time, to me these are empirical questions. We just read your chapter by the way in my class about railroads. I don't think you knew that. Jean told us. We read it when she came to speak. And I just think that's an important thing to watch. Are these economic things that are happening? And countries will learn how to interact. And if you have a lot of debt and you can't pay it, that's a problem for the debtor nation and we know that from other trades. Or is it something more politically instrumental in terms of undermining sovereignty. And we should be able to study that. That's one of those questions that Stanford should be providing answers to.
- Jean Oi:* Yeah, Sig.
- Audience:* Thank you all. Fascinating discussion. I was struck. Mike has been trying to get an answer to as far as China goes. Is it China? Is it the communist party? Is it Xi Jinping. And Mike, you gave us a really interesting partial answer at least to that, and that is in this country the sort of macro story that develops. So it makes it difficult to then find out which it is. And the macro story that's developed since Xi Jinping then focuses on Xi Jinping. And in this country, I think we're particularly susceptible.
- We like to demonize, and not necessarily the entire country, but certainly the leadership. And so we've begun to demonize Xi Jinping. Certainly we love to demonize Putin, and as Mike often points out, there's a lot there to demonize. We weren't demonizing Gorbachev. So the whole Russia looked different. Under Putin, Russia looks different because we can demonize him. And one of the countries I work on a lot that you know is North Korea. And so

we love to demonize North Korea and we demonize of course Kim Jong-un.

*Speaker 2:* Not the president. Not the president. He fell in love. Don't forget.

*Audience:* Which is an interesting, and actually that's where I'm going. So is it possible to de-demonize in order to be able to sort these things out? And is there a way to de-demonize Xi Jinping so we can get a better idea? And in terms of de-demonizing Kim Jong-un, it almost looks to me like Trump has started that process. If you look at the Singapore Summit, what happened there to allow to extent this sort of de-demonize Kim Jong-un. However, the surfing thinktanks have made it difficult to do that. And so North Korea is still being mostly demonized for all those bad things that they're doing. And so it's really important for university centers not to play that role that most of the thinktanks do to sort of get on that wave and get on ahead because it's really difficult then to sort out what's true and what our real issues are.

*Speaker 1:* Well there are lots of threads in that question. Let me try to answer what I think is the core there, and that is, is Xi the total explanation for what's going on? And I think that when you have a sort of comprehensive answer to that, then you go some distance to de-demonize, if that's the word to describe Xi. I think that we have to recognize, there are some positive or let us say more popular elements to aspects that reinforced Xi's policies. So one might ask, what are those?

And that is it seems to me reform in China created some national champion that made in China 2025 that the more planned aspect of the Chinese economy has had some successes. It is, I keep coming back to railroads because that's what I'm thinking about, but they took a nothing industry in 2000 and by 2012/2013 they're the global competitor with the French and the Germans, and as it turns out the Canadians. And so they built industries. Same and civil nuclear power.

So this notion that state industrial policy doesn't work, one reason Xi is fighting this agreement with Trump so much is because many of the state enterprises don't want him to go down that non-subsidy, non-concentrate resources on champion industries, and that's because there's a big set of constituents that either thinks it worked or in any case it's in their interest.

So that's a huge part of his support base. In a way you could say the successes of reform build up a lot of constituencies that gained.

And they don't want to see now the underpinnings of their success spread out or taken away or bestowed on others as a fundamental change in the economic system would do. So I would say reform created winners that now are fighting not to become losers as the demands of the global system or the U.S. become greater. Is that a response?

*Jean Oi:* Unfortunately, one last question. Yes.

*Audience:* Thank you very much. I'm Steven Band. I'm an alum of the business school here at Stanford. One thing that hasn't been mentioned at all this afternoon, which is a bit distressing to me at least, is the question of human rights and repression in China, and what the correct U.S. and Western policy response is to a very radical I think uptick in the amount of repression various sorts within China. So my question is, please, what do you think the correct U.S. policy response is on that issue? And I might add the very imminent ambassador gave a talk in this building just ten days ago and when asked this same question, his reply was, I quote I think exactly, "We should wring our hands and then sit on them." Well, I for one –

*Speaker 1:* That was Charles Freeman. I thought you were talking about me. I don't remember saying that.

*Audience:* No, no, no. This was a career ambassador, a professor before. Not at all. So my question is, what is the right U.S. response, and in particular, since Professor McFaul is here, is there anything to learn with how we dealt with this issue with the Soviets? I'm sure Secretary Rice was right to say arms control is always the centerpiece of every summit. But I think it would be true to say it was never a summit at which from the U.S. side or other western \_\_\_\_\_ did not raise the issue of human rights. And ultimately we got into the CSC, the OSC and had a multilateral discussion with the Russians about these things, which arguably produced something actually quite valuable at the end. So is there something to be learned from that?

*Speaker 2:* I'll do the historical part and then you'll do the future part. So one, it is a dimension of the U.S./China relationship today that was in the Cold War. And I meant to say that and I just forgot, so thank you for bringing it up. And I think it's an important similarity tragically. And I think the proper strategy, during the Cold War it varied in how we dealt with this. Richard Nixon had a very different approach to this set of questions than Ronald Reagan did, and there was not continuity. There's a great mythology about the

Cold Wars that we had this containment strategy and we just kind of held to it for 40 years and then we finally won.

Actually the label containment was used for all kinds of things that were radically different policies. And by the way, there were more variation within parties. Nixon and Reagan had way different strategies, vis-à-vis the Soviet Union and then Kennedy and Reagan were closer. I think the best approach in my view was the Reagan era. And if you read George Schultz' memoirs, which I think is a fantastic memoir. You should read my memoir too, "From Cold War to Hot Peace" if I can advertise it, 'cause we're talking about the Cold War. But I draw a lot on Schultz' memoirs for what we were doing in the government, which is this.

We can walk and chew gum at the same time. So yes, he talks about every meeting he had with the Soviets. They would do the morning on arms control, and then after lunch they would pivot to regional conflicts and human rights and bilateral trade issues, right? And Schultz' view was, when you don't mention those other things you lose leverage. And so you think you're being soft and they're gonna do something for you, but he writes very persuasively in my view, no that makes you look weak that you don't bring those things up.

For instance, I think it's outrageous that the Trump administration has said virtually nothing about those two Canadians that have been unjustly held. That's not gonna help us in the long run. That makes us look weak, not strong. But there's another key ingredient to what the Schultz/Reagan approach. And really it was Schultz' approach 'cause it was his idea. You don't do linkage. So you have four different tracks. You have your arms control track, you have your human rights track, you have your economic track and then back then they had the regional conflicts track where we were fighting these proxy wars.

But his view was, if you try to link progress on arms control to human rights things, you're gonna muck everything up and you're not gonna achieve anything. I don't know if that's the right strategy for China, but I think it was an extremely effective strategy in the Cold War. Raise them, but don't link them together because you may never get anything done.

*Speaker 1:*

I agree, and I thought that was just a great answer. So that's 90 percent of what I have to say. I'm glad you raised this issue. I've always been of the opinion that it's easier for us to do harm than good in this realm. I'm worried about that. So I've always wanted

to keep, make sure that there were important positive elements in the relationship so China had an incentive to get those gains and therefore moderate itself in ways we probably never would see and they would never acknowledge. So I think the biggest threat to human rights, or a very big threat to human rights is a decline in China's relations with either the United States or the West more broadly, because human rights do not improve in China when it shuts itself off or gets shut out.

So my approach is to try to create a context that maximizes the chance for positive movement, but certainly can't – secondly I've always been, and this is Ronald Reagan, golden city on the hillside here. Chinese have come up to me and says you know, in the opening days of reform, America was we thought well governed. Not the view now. And so I think an important part is putting into effect the kind of principles that we're professing. If you look at our southern border, and I'm not equating that by any means with Xinjiang, but certainly a Chinese propagandist doesn't have much trouble drawing some parallels here, right?

So I think get our own act in order, create a context for positive movement, if that's possible in China, are the two biggest things we really can do. But in the end, when things are happening in Xinjiang, this is not acceptable by global norms in my view. And we have to say something about it. I haven't heard a lot out of the administration on this beyond. And I think China's made an enormous mistake in terms of dealing with the U.S.

It's marrying – pushing the party to the floor with modern surveillance technology and big data manipulation to control people. And if you had to ask what's the worst nightmare, in the back of an American mind, that's it. So I think China's gotta make some big moves in positive directions, but we shouldn't create an environment that makes it almost inevitable that China's gonna turn in on itself 'cause that's gonna be bad news.

*Jean Oi:*

Well unfortunately our time is up. This has been an absolutely fascinating conversation. And I'm very pleased and I would thank all of our speakers and also the audience. I know we could go on for at least a few more hours, but we're just gonna have to wait for part two at some future point in time. So please help me thank the two Mikes.

*[End of Audio]*