HIGHLIGHTS from the 32nd Annual Camden Conference

IS THIS CHINA’S CENTURY?

Martin Jacques, Indira Lakshmanan, Yuen Yuen Ang, Yasheng Huang, George S. Yip, Kaiser Kuo, Wu Xinbo, Yuki Tatsumi, Susan Thornton, Ma Jun, Elizabeth Economy, Robert Daly

2019
About the Camden Conference

Every year since 1987 the Camden Conference has provided interested individuals from Midcoast Maine and beyond an opportunity to learn first-hand from, and engage directly with, renowned experts on issues of global importance. Each year, a topic is selected, and speakers from government, academia, international organizations, the media, and business are invited to participate in a three-day conference in Camden in February. The conference is simultaneously streamed to audiences in Belfast, Portland, and Rockland, as well as Hanover, N.H. Each speaker addresses a facet of the year’s topic, answers questions from the audience in all five locations, and participates in an exchange of ideas throughout the weekend. All the talks are subsequently made available on our website, www.camdenconference.org. The Camden Conference is a citizens’ forum, and it is designed specifically to help citizens build a better understanding of important global affairs.

Previous Camden Conference programs have examined New World Disorder, Refugees and Global Migration, Russia Resurgent, Religion as a Force in World Affairs, and The Global Politics of Food and Water. The conference has also focused on geopolitical areas, including the Middle East, Asia, Europe, and Africa. The February 2019 Camden Conference, “Is This China’s Century?” focused on China’s rise to a superpower and China-U.S. relations. Our 2020 Conference will look at the role of media in global affairs and the threat to democracy of the new disinformation wars worldwide.

Exciting as the weekend is, the Camden Conference has over the years become a much bigger presence in the educational and intellectual life of our region. Dozens of events related to the annual conference theme or promoting informed discourse on world issues are held in communities across Maine. These Community Events include lectures, symposia, and senior-college courses; group discussions of selected articles and film clips; and longer films, art exhibits, and other cultural programs. All are open to the public, and most are free of charge. They are led by scholars and other well-informed area residents.

The Camden Conference works to enhance the teaching of global affairs in Maine universities, colleges, and high schools by subsidizing and encouraging student attendance at the February conference—often in the context of courses directly related to the conference theme—and by staging student-oriented and student-led events around the conference.

The Camden Conference is a nonpartisan, federally tax-exempt, not-for-profit 501(c)(3) corporation. The board of directors includes residents of several Midcoast towns, all of whom volunteer their time, talent, and energy to organize the conference and related programs. Financial support for the Camden Conference comes from attendance fees, memberships, individual gifts, and grants from institutions, foundations, and corporations.
The 2019 Camden Conference asked the question, “Is This China’s Century?” Our ten speakers explored China as it emerges as a major global power, facing complex challenges in its domestic economic, social, environmental, and political affairs, as well as in its relations with Asian neighbors, the United States, and the broader international community.

More than 1200 were in the Camden Opera House and the four satellite, livestream locations in Belfast, Rockland, Portland, and Hanover, N.H. Others in the audience watched the 2019 Camden Conference at home through a member portal. More than 200 of our attendees were high school and college students.

This issue of Highlights distills the messages of our speakers. It seeks to convey the main points of each speaker’s presentation. To view the 2019 presentations go to the Camden Conference website at www.camdenconference.org.
Jacques opened his talk by reminding the audience that China’s rise to a stage of global power would not have been a question of imminence ten years ago. He attributed this rise over the past ten years to three concurrent factors—the decline of the United States, the Western financial crisis, and the doubling in size of the Chinese economy while the American economy grew by only ten percent. In addition, current Chinese President Xi Jinping moved from previous leader Deng Xiaoping’s quiet approach to one more outgoing and expansive. “China was not just a recipient of globalization and a player in globalization,” he said, “but it was also a mover and shaper of globalization.”

Jacques described this as a new situation for the West—making us face the fact that we can no longer subscribe to the belief that the Western paradigm is universal, that everyone has to be like us in order to sustain a vibrant, growing economy, “that there’s only one modernity in the world, our modernity.”

Jacques explained that the West must understand that it has been only 120–130 years since China adapted to the then-European norms of the international system and conceded it should be more like a nation-state. He said, “China has never been like the West … and it never will be like the West.” China is a civilization of many different cultures, he added, and is based on respect for differences. He pointed out that Deng Xiaoping’s idea was “one country, two systems,” a very different way of thinking from that of a nation-state of one nation, one system. He pointed to the fact that both Europe and China in the early 1900s regarded themselves to be universal, superior forms of being. But Europe set out to transform the world through colonization, while China did not see itself in terms of externalizing. China believed that “We are the Middle Kingdom. We are the Land Under Heaven. We are the highest form of civilization.”

One commonality held by Europe and China is their belief that to be a great power you must first have a strong economy, said Jacques. But he then pointed to the marked disparity in the two traditions’ beliefs in the importance of military power and political power. During the 500 years between the mid-fourteenth and mid-nineteenth centuries, China fought just one major war with another country, while there were 142 wars between Britain and France alone. The West used military power to expand its economic power, while China used cultural power.

Jacques then jumped from this historical background to the present, laying out seven key characteristics or elements of China as a global power today.

The first key characteristic Jacques identified was China’s economic power. Today, China makes up about 17% of global GDP. That number was 1% in 1980 and is predicted to be 33% in 2035. This share will be larger than the American and European shares combined—twice that of American global GDP.

Second, he discussed China’s focus on a relationship with the rest of the developing world as a key element of its growing global power. Jacques thinks that because China
feels it understands developing countries, it understands the problems of developing countries. China’s lack of natural resources, according to Jacques, is another reason for its developing a strong relationship to natural-resource-rich countries, such as those in Africa.

“The third element of China as a global power, said Jacques, is the Belt and Road project, “a hugely ambitious [infrastructure] project to transform the Eurasian landmass, where there are many, many very poor countries.” The Chinese are thinking they can use Belt and Road to help other developing countries transform through economic growth, based on the same process they used.

Jacques pointed out that 65% of the world’s population lives in this landmass, where there is a lot of enthusiasm for Belt and Road. America has not joined in; Jacques believes this is a mistake. If America is not involved, he said, it is not a player in developing rules and regulations. But China, he added, has much more money to throw at the project than does America.

Jacques said he believes that in the long run, 50 years or more, Belt and Road will be a success. “Don’t underestimate the kind of a transformation in governance that is likely to come from Belt and Road,” he said. There are likely to be new regional entities, possibly a transformation of the idea of the nation-state.

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The low priority of Chinese military expenditure is the fourth characteristic of China as a global power, according to Jacques. China does not regard military power with the same priority as do the West and Russia.

Similarly, a fifth Chinese global-power characteristic will be a lack political meddling, said Jacques. “Why? Because China thinks it’s different, it’s unique, it’s not a model for others. And it has a relatively agnostic attitude towards political systems wherever they are.”

The sixth element of China as a global power, said Jacques, is the nature of the relationship between the United States and China. The attitude of the United States for a long time was that China was not a rival. “It was a very, very unequal relationship,” he said, adding that we can all see that the balance has changed.

Jacques said he believes that it is impossible to stop the rise of China, so the United States has to find a way of relating to China in a new context.

The seventh and final element of China’s rise to a global power, according to Jacques, is the fact that “the problem of the competitive relationship between China and the United States is not fundamentally about trade.”

We in the West, he said, viewed China as good at copying and imitating. This can no longer be our view, Jacques said. Since 1978, China has taken existing technologies and applied them to new circumstances in China—an incremental innovative approach, not simply copying.

As China was growing at 10% a year, it built up an enormous innovative capacity, said Jacques. It is now capable of competing in technology where the United States previously held a monopoly.

“I think it’s a mistake for America to react in a protectionist way to this,” Jacques said, calling protectionism a position of withdrawal. In his view, it will be very important to have American companies competing in China’s ruthlessly competitive and dynamic economy. “You have to be part of it to learn from it,” he said, “because learning is going to be very important to how we in the West respond to the rise of China.”

Thus, said Jacques, the key question for us in the West, particularly in the United States, is how to find a way of relating to China based on China as a serious competitor. He said the Brexit debate demonstrates how difficult it is to move on.

Jacques closed by saying that the great challenge for the United States is how to live in a world where China is a peer competitor. What are the forms of cooperation, and what are the forms of rivalry?

Reported by Richard M. Anderson

China does not regard military power with the same priority as the West and Russia.

MARTIN JAQUES is author of the global best seller, When China Rules the World: The End of the Western World and the Birth of a New Global Order, published in 2009, updated in 2012, and since translated into 15 languages. He is currently working on a second book about China. Jacques has been an editor, columnist, or essayist for more than 30 leading publications in the United States, Europe, and Asia. He has made numerous programs for the BBC. His TED Talk on “Understanding China” has had three million views. Jacques is a senior fellow in Cambridge University’s Department of Politics and International Studies and a visiting professor at Tsinghua University, Beijing, and Fudan University, Shanghai. He has also been a visiting professor in universities in Japan and Singapore. From 1977 to 1991, Jacques was editor of Marxism Today. He transformed the little-known journal into the most influential political publication in Britain; it was famous for its pioneering analysis of Thatcherism—a term that it coined. He took a first-class honors degree and a master’s degree at Manchester University, then earned a PhD at Cambridge University. He is chairman of the Harinder Veriah Trust, established in memory of his wife to support the education of underprivileged girls in Malaysia.
Yuen Yuen Ang began by recalling de Tocqueville’s praise for the strength of the tradition of New England town meetings, and civil society and civil liberties more generally, in the America he visited in the 1830s. She was pleased to see that tradition alive and well at the Camden Conference.

The title of her talk was drawn from a recent cover story in the Economist, which proposed to explain “How the West Got China Wrong.”

“Having read this article carefully several times,” Ang told the audience, “in my opinion, I don’t think it actually tells us how the West got China wrong. It doesn’t actually explain to us the nature of the misunderstanding. And so, in my humble opinion as a reader, I think the real title of the magazine should have been ‘The West got China wrong!’ Exclamation Mark! Emoji worried! That’s what it’s really saying.”

The idea in the article, said Ang, was that China prospered despite not making political reforms, persuading many that China’s model of development is superior to that of the West, and that, accordingly, the task now is to counter Chinese power.

The relevant question, according to the speaker, is how the West erred in reaching this conclusion. In fact, according to Ang, we have not recognized that China did, in fact, carry out political reforms, but they were in the bureaucracy, rather than in the broader political system. In China, bureaucracy is exciting and formal politics boring, she said. This is exactly the opposite of what we are used to in the West. In China, major formal gatherings of the party and the government are quite closely orchestrated, with no contention. But the real politics at those meetings happens beforehand and afterward. Informal politics takes place within the bureaucracy and behind the scenes.

“The exciting part of Chinese politics happens before and after the [party] meetings,” said Ang. “And it happens below the surface of Beijing, in all of the places that you will never see and you don’t read about in the newspaper. It happens in the bureaucracy. …And that’s where the excitement is, right? And so if you want to understand Chinese politics, you can’t just look at what you see on TV and in the media. You need to look below the surface, and you need to understand bureaucratic politics.”

China carried out political reforms, but they were in the bureaucracy, rather than in the broader political system.

YUEN YUEN ANG is associate professor of political science at the University of Michigan. In 2018, the Carnegie Corporation named Ang an Andrew Carnegie Fellow in recognition of her “high-caliber scholarship that applies fresh perspectives to some of the most pressing issues of our times.” Her expertise on China lies in the economy, bureaucratic politics, adaptation within the party-state, corruption, and the nation’s growing role in international development. Her book How China Escaped the Poverty Trap won the 2017 Peter Katzenstein Book Prize and was selected by Foreign Affairs as a “Best of Books 2017.” She writes op-eds and blogs for Foreign Affairs, the Wall Street Journal, International Herald Tribune, Project Syndicate, and other outlets, and is currently writing a second book on corruption and capitalism. A native of Singapore, Ang graduated from Colorado College and received a PhD from Stanford University. Before joining the University of Michigan, she was on the faculty of Columbia University’s School of International and Public Affairs.
The bureaucracy in China is an enormous body, some 50 million people, Ang pointed out, when the apparatus of the party, the state, and the public service organizations are taken together. This is the size of a medium-sized country. When Deng Xiaoping took power, she said, he did in fact enact significant political reforms in the wake of the disastrous Cultural Revolution. His goal was to put partial limits on power, and to induce accountability and competition, at both the top and the bottom of the system. These reforms, said Ang, included the principle of collective leadership (rather than one-man rule), eliminating the cult of personality (for example, no posters of Deng plastered in public places), and mandatory retirement at a certain age. He set the norm of two terms for officials (a norm that Xi Jinping appears now to be breaking).

Deng changed the “report cards” used to evaluate officials, Ang said. Formerly, officials were evaluated mainly on the basis of their political loyalty. But Deng introduced the criterion of economic development as the main basis for evaluating and promoting leaders. They now needed to produce concrete achievements. And they had to compete for advancement. These principles—competition and accountability for performance—are comparable to those practiced under democracy, Ang said. But, in contrast to democracy, Deng and his successors did not adopt the institutions of competitive elections, checks and balances, and a free press.

“He changed the report cards,” said Ang, “and they publicized the results of these rankings, how you rank vis-a-vis your peers. And this generated a tremendous amount of competition within the party to perform well. So, without having elections, he was able to increase accountability and competition.”

In its combination of autocratic and democratic institutions, Ang asserted, we can call the Chinese regime a hybrid—autocracy with democratic characteristics. And it is this hybrid regime type that has been the foundation of economic progress, said Ang, at least until 2012, when Xi Jinping was made general secretary of the CCP. Since then, she said, there has been backsliding on the principles of accountability and competition. This may harm China, because a free flow of information is needed if China is to become a leader in the information economy.

As to the premise that autocracy is better than democracy, and that China demonstrates this point, Ang argued instead that autocracy needs some democratic elements to thrive. At least until recently, China has, in fact, adapted these to its needs.

Ang described the speech delivered by Deng Xiaoping at the December 1978 Plenum of the Central Committee. That was the speech launching the entire era of “reform and opening up.” It is telling, she said, that he never once mentioned the word “infrastructure,” which we now tend to think of as the main driver of economic growth for China. Deng mentioned investment just once, and that in the context of foreign investment. There were only four mentions of party leadership. But he mentioned accountability 12 times, and democracy 22 times.

Ang emphasized that the dichotomy between “democracy” and “autocracy” is a “false binary,” misleading because it creates the impression that a political system can only be all one or all the other. In fact, she said, hybrid regimes are common.

She concluded by arguing that China’s strength lies in its flexibility rather than in brute force. In this way, it is like water, she said. Both the ancient Chinese philosopher Lao Tze and the more recent martial arts film star Bruce Lee made the same point. Water has great power, but it is able to take many forms. This has been China’s strength in the reform era, although now it may be losing some of the flexibility.

China’s reform era ended in 2012, and there has been backsliding since then.

In the Q & A, Ang stated that she believed that the reform era ended in 2012, and that there has been backsliding under Xi Jinping since then. There is less political freedom, she said, and it is harder to do research, both for Chinese scholars and foreigners. Some experimentation is continuing, nonetheless, so there continues to be some flexibility in the bureaucracy. She observed that she is not sure that the Xi Jinping regime will sustain flexibility as they themselves believe in the myth that centralization and autocracy are what have fueled China’s rise.

Reported by Thomas F. Remington
Yasheng Huang answered the question, “Is the China Model Sustainable?” with a qualified “no.” He argued that movement rather than level is important in considering political and economic development, that movement from the late 1970s until around 2012 was positive, and China has come a long way. What is happening now he sees as questionable.

“If you think about today’s China as authoritarian, autocratic, and all of that, everything about that description is correct. But it is movement that matters for economic growth, for entrepreneurship, for technology. …That movement has been toward democracy and market economics.”

However, Huang continued, “the tragedy is that the Chinese leaders today, some of them at least, are beginning to believe in the China model and they have enacted policies more consistent with that model. And that, I believe, is a recipe for economic slowdown, not necessarily a financial crisis, but for an economic slowdown and underdevelopment of entrepreneurship, probably harming U.S. and China relations in the process.”

Huang defines the China model as having three components: autocracy, meritocracy, and state capitalism—state capitalism meaning that while government does not necessarily have “an overwhelming ownership role in the economy, it has a very substantial control role of the economy.” While much of the Chinese economy today is privately owned, the state retains substantial controls as well as the ownership of strategic industries such as banking, infrastructure, construction, and energy. While it is okay to have state capitalism for a period of time, said Huang, it is important that there be “continuous reforms away from state capitalism.”

“The political movement in the liberal direction was instrumental in ensuring the security and the confidence of the private sector entrepreneurs,” he said. “The idea that the China model has succeeded because of the state ownership, because of the strong role of the government, because of the infrastructure, is wrong.”

Building infrastructure is being advocated by people who believe in the China model, because building infrastructure requires massive actions by the government, increasing the government’s role. “In China they have built lots of infrastructure, and the problem with that is threefold,” according to Huang.

First, in what is already a state economy, you further emphasize the role of the government. That’s going to crowd out the private sector. Second, focusing on building infrastructure in a developing country ignores opportunity costs.

“China is still a developing country,” said Huang, defining a developing country as one in which the labor to capital ratio is very high. “Capital is a very scarce resource, and building these infrastructures is extremely costly. Statistics show that rural education and rural public health have been neglected in this age of infrastructure building in China.”

Third, he continued, is the theory that when you build infrastructure, you’ll get growth.

“I can put forward exactly the opposite theory, which is that you have growth,” said Huang, “and then you have the money to build infrastructure. In both cases, you’ll see these two things moving in the same direction, but you don’t actually know what is the underlying cause or mechanism. The evidence from China overwhelmingly supports the view that you first have economic growth, and then the government is able to get resources from taxation and from savings to build infrastructure, not that infrastructure-building brings growth.

Investments in basic education and rural health led to economic growth.
“I cannot think of any reasonable rationale for supporting a China model the way that the China model is understood.”

“I would argue that there are elements of the China model that got things right as compared with countries such as India and other developing countries. China put basic education first, even during the Cultural Revolution. And public health.”

Systematic evidence suggests, said Huang, that it is those investments in basic education, in rural health, that led to the subsequent economic growth, when the economic policy became more liberal and more sensible. In fact, some of the regions in China that have grown very, very fast started out without much infrastructure, he said. The infrastructure came much later.

“If you look at the cross-regional growth patterns in China,” said Huang, “the growth and the private sector development all happened in the more capitalistic regions of China rather than in the state-led regions of China. In fact, today, the state-led regions of China are suffering from a high debt level, underemployment, and high levels of unemployment. There’s no reason to believe that the state-led model has worked. If you look at the labor unrest, the riots, social instability, they tend to happen in the socialist regions of China rather than in the capitalist regions in China. So I cannot think of any reasonable rationale for supporting a China model the way that the China model is understood. ... It has failed to deliver both on political and economic grounds.”

Although from the 1980s into the 21st century, there were reforms, marketization, and some privatization, beginning in 2008 the Chinese model of liberalism changed. The new model is about state actions, infrastructure growth, industrial policy, the power of the state.

What caused that change? The 2008 financial crisis. “Excessive deregulation, the excess of Wall Street, and the laissez-faire economic mentality,” Huang asserted, “led to the collapse of Wall Street. It has had huge impact, both political and economic, on the United States, as we all know. But one of the little-told stories of the impact, the spillover impact of the 2008 financial crisis, is that it changed the ideology of the developing countries, especially of the Chinese leaders. In 2008, they saw the collapse of the Western financial system, the capitalist system. Prior to that, even though there was not a full embrace of the Western market economics, at least there was a reluctant acceptance that a market economy was the goal; market economics was held as an aspirational model. After the financial crisis, the Chinese leaders throughout the system really believed that capitalism collapsed, and it was the wrong model.”

With that changing view came the argument, in the U.S., that engaging with China had been a mistake. A famous article in *Foreign Affairs* argues that Clinton’s and Obama’s and George W. Bush’s policies of engaging with China utterly failed. Huang took a different, and somewhat more positive, perspective.

“While it is true” he said, “that the engagement has not changed China politically, we need to distinguish between the supply side of the political change and the demand side of the political change. It is absolutely true in autocracy that you can’t really affect leadership selection. And China has a leader who is now taking the country backward politically. But the engagement policy has had a massive impact on the demand side of the equation. In regions of China touched by globalization, by foreign trade and foreign direct investment, the values of those people are more liberal as compared with the people in regions that are not touched by globalization, and trade, and investment. I think there’s a role for engagement to work, not so much to have a direct impact on the politics, but through changes in the values and ideologies on the part of the people. That, I believe, is a more important and more reasonable expectation of how foreign engagement can work, rather than expecting trade and foreign direct investment to affect politics directly.”

*Reported by Judy Stein*

The China Model has failed to deliver on both political and economic grounds.

**YASHENG HUANG** is the International Program Professor in Chinese Economy and Business and a professor of global economics and management at Massachusetts Institute of Technology’s Sloan School of Management. Huang founded and runs the China Lab and the India Lab, which help entrepreneurs in those countries improve their management skills. With other scholars, he is conducting research on human capital formation in China and India, entrepreneurship, and ethnic and labor-intensive foreign direct investment (FDI). The *Economist* selected his book *Capitalism with Chinese Characteristics* as a best book of 2008. His publications in Chinese include *The Transformation of the Chinese Private Sector, Exactly What is the China Model?* (Blue Lion Prize for best book of 2011), and *The Path of Big Enterprises*. Huang is a fellow at the Center for Chinese Economic Research and the Center for China in the World Economy at Tsinghua University and a World Economic Forum Fellow. In 2010, the National Asia Research Program named him one of the most outstanding scholars in the United States conducting research on issues of policy importance to this country. Huang holds a BA in government from Harvard College and a PhD in government from Harvard University.
China’s Rise from Imitation to Innovation

Risk-taking, fast development, and a competitive work ethic

George Yip

China now poses a triple competitive business threat to the rest of the world, George Yip pointed out. First, it has world-class manufacturing capability. Second, it now has world-class scientists, “including enough scientists to be able to absorb most scientific innovations from the rest of the world and then apply them within China.” Third, it has an enormous home market and a business-friendly government with tremendous ambitions to develop technology.

The combination of manufacturing capability, science, and a large home market has happened only twice before in history, Yip said. “That was the British Empire—not just Britain, but the entire empire—and the United States in 1945. As a result of this, China is able to develop products at home and go after any market in the world.”

The 40-year-old story of the great transformation of China from an impoverished nation to a highly competitive superpower began in 1978, when Deng Xiaoping initiated market-economy reforms that combined socialist ideology with free enterprise. The changes instituted by Deng, Yip said, unleashed the entrepreneurial spirit of Chinese and began to tap the cultural strengths of risk-taking, fast development, and a work ethic highly competitive with any other culture on the planet.

“A characteristic of China is fast trial and error. The Chinese love to do things very fast, much faster than others want to,” said Yip. “Because, in a fast-growing market, the biggest error is not to try something and move fast. This fast trial and error also fits in with Deng Xiaoping’s ‘cross the river by feeling the stones,’ pragmatic, fast-moving, and much faster than the West.”

And related to the speed at which the Chinese develop technology and products is the Chinese work ethic, Yip said. “In many companies, workers have bedrolls under their desks for sleeping at the office.”

“The founder of Huawei, the telecom company,” Yip said, “is famous for saying that Huawei people are destined to work harder for a lifetime and to suffer more than anybody else. How’s that for a recruiting slogan? In China they now talk about 996 companies. You work from 9:00 a.m. to 9:00 p.m., six days a week. No work-life balance in China, but this is part of how they succeed.”

Much Chinese innovation, Yip said, “is not rocket science, but pragmatic and profitable. The number-one thing that Chinese business people care about is making money. It is not winning Nobel Prizes, no Xerox Science Park people there.”

No other market exemplifies the Chinese strengths of competition and fast development more than the Internet market. “Chinese companies have learned to compete very fast just to survive at all. One author refers to the Internet competition in China as a coliseum gladiatorial combat, where the survivors then are super-fit, ready to take on the rest of the world.”

An example of Chinese entrepreneurial success is a “startup called Royole [that] launched the world’s first foldable smart phone about two months ago. It opens up to be like an iPad, it folds up to be like a smart phone, and they beat every other company in the world, including Samsung, including Apple.”

Another company, Haier, is the world’s largest major appliances company, which recently bought GE Major Appliances. By the way, Chinese companies often buy dying...
American companies and then revive them. So it has revived GE Major Appliances. They pioneered the world’s first refrigerator with three compartments of temperatures. The middle compartment is in between freezing and the regular compartment. They designed it for the American market to store the food that is the most important for Americans. What is that food? Ice cream. When you take it out of the middle compartment, it is ready to eat. You don’t have to wait for it to soften. And they know that Americans don’t like to wait.

“It took a Chinese company to have this insight into the American market and then to be able to put in the engineering dollars to invent it and to have the manufacturing capability to manufacture it at a competitive price. That’s a typical Chinese innovation. Not rocket science, but pragmatic and profitable.

“Another example—high speed trains. Of course, China did not invent high-speed trains, but they now have more miles of high-speed rail track—how many miles does the USA have of high-speed rail track? Zero—and they build more high-speed trains than any other country in the world.

“Aerial drones were not invented in China, but now more than 90% of them are made in China.”

“Aerial drones were not invented in China, but now more than 90% of them are made in China. And now they have invented one that can carry a human being, a pilotless drone. Some of you will be flying in a pilotless Chinese-made drone.”

Yip pointed out that in his research, he and his team have identified two phases and four drivers for Chinese success. Phase one is copying to fit for purpose. “At the beginning in the 1980s and 1990s, they just had to copy and paste and simplify it to fit the Chinese market. And then, over time, phase two, from followers to [setting a] world standard.”

First of the four drivers are the customers and the enormous market in China. “They had to innovate to make products more suitable for the Chinese market,” said Yip. “Sometimes this was called the ‘good-enough product’ that was good enough for the Chinese market.” The second driver was the culture of innovation with strong, proactive support from the government. “The word innovation recently reached the top line of the five-year plan, and the whole Made in China 2025 initiative isn’t actually about being made in China—it’s about being innovated in China. They want to now add value through innovative products, including acquiring as much intellectual property from the West as possible.”

The third driver, according to Yip, is learned capabilities, including investment in R&D,

And the fourth driver is money. “Chinese companies are very rich. What are they doing with this cash? They’re using the cash to invest in R&D in China.”

What is the basic difference in technology and product development between China and the West? “The West is very good at going from zero to one, inventing it in the first place,” asserted Yip. “But China is very good and better at going from one to 100, implementing and learning and innovating as they apply it, because they’ve got more people than anybody else to make this implementation.

“One example is electric cars. I predict that China will be the first one to solve the chicken and egg problem with electric cars, which is, people don’t buy electric cars unless there are charging stations, and there won’t be charging stations until there are electric cars. Of course, being a top-down government, they are building charging stations all over the country, and they certainly have the motivation to move to electric cars, because they have lots of pollution, and they don’t have enough petroleum of their own.”

With their recently found competitive strengths and development prowess, what do the Chinese aspire to do? “…[T]his idea of China dominating science has reached Chinese culture [in] a new blockbuster movie about the disaster of global warming, where the world will be saved by Chinese astronauts. So China is ready to save the world. You heard it here first.”

Reported by Bruce Cole

GEORGE S. YIP is associate dean for executive programs at Imperial College Business School in London. His previous academic positions have included professor of strategy and co-director of the Centre on China Innovation at China Europe International Business School in Shanghai; dean of the Rotterdam School of Management—Erasmus University; and appointments at Harvard Business School, UCLA, Cambridge University’s Judge Business School, and London Business School. He is a Former lead senior fellow at the UK’s Advanced Institute of Management Research. Yip has also held numerous positions in business, including vice president and director of research and innovation at Capgemini Consulting; senior manager at Price Waterhouse (USA); manager at Unilever; and memberships on various corporate boards. His most recent book is China’s Next Strategic Advantage: From Imitation to Innovation (coauthored with Bruce McKern). He has also published Strategic Transformation, Changing While Winning; Managing Global Customers; Asian Advantage: Key Strategies for Winning in the Asia-Pacific Region, and Total Global Strategy. Yip has contributed more than 100 articles to leading journals. He was educated at Cambridge University and holds an MBA and a Doctorate in Business Administration from Harvard Business School.
Kaiser Kuo, who is Chinese-American, lived in China for 20 years and worked, among other gigs—including starting the heavy metal rock band Tang Dynasty—for the Chinese Internet and the artificial intelligence (AI) firm Baidu. Kuo comes to this subject matter from the bottom up, for example with *Sinica*, his current-affairs, China-oriented podcast, rather than from academia or government. The emphasis of his talk was on filling in the picture of Chinese technology between what he characterized as two extreme views:  
1. The Chinese techno juggernaut is about to devour the entire world, and  
2. The Chinese are on the verge of perfecting the “dark Orwellian state” by the use of facial recognition technology, “and not just for the relatively innocuous purposes of, say, catching criminals or thieves, but of course catching political criminals or thought-crime criminals.”

Kuo calls such polar views the “flipped-out narratives” created in the West.  
Kuo attempted to fill in a middle-ground view from a more contemporary perspective of the current U.S.-China relationship. “We need a better understanding of China and how to reckon with their technology.”

To begin with, Kuo was not painting a Polyanna view of the U.S.-China technology dilemma. At the core of the tension between the U.S. and China is industrial espionage, not the plight of soybeans due to the recently created trade wars. Kuo did not minimize the Chinese Internet attacks on U.S. companies, such as Marriott, and governmental agencies. He is more concerned that just a few years ago, we had a snapshot of Chinese capability, partly influenced by Silicon Valley hubris, that the Chinese tech sector’s capability was limited only to “Copy to China.”

“If you’ll remember, in the spring of 2015, our then vice president, Joe Biden, was going around giving graduation speeches at a number of universities in which his main theme was how, because we are an innovative country, because we are a country where information flows freely, where academic inquiry is unrestricted, we will forever maintain an innovative edge over China.”

Then, within a very few years, the dialogue had “flipped” dramatically, said Kuo, “Those innovative Chinese tech companies that are now apparently proliferating in China are going to eat our lunch.”

Kuo mistrusts such sudden, wild swings in our appraisal of the Chinese tech sector. “I am very alarmed at this collective freakout we are now experiencing. We are as wrong in our overestimations today as we were in our underestimations a few years ago.”

He noted a “very strong values dimension” that tints our objective lenses when viewing Chinese tech. “What do I mean by that? I mean, it’s about the concerns and anxieties that we have about the uses to which the Chinese government intends to put these technologies.”

And, in the press, there appears the tendency to overestimate certain private initiatives. “In the last year, especially, we’ve seen a great many stories about China’s so-called Social Credit System. I am sorry to report that a lot of the reporting on this has been woefully inaccurate, or they tended to conflate, for example, private initiatives by compa-
nies like Tencent or Alibaba, which, to be honest, more resemble loyalty programs from Starbucks than they do actual Orwellian systems of social control.

So, when the U.S. evaluates Chinese technology, its capabilities and its goals, Kuo finds a number of myths mixed up in the quiver of analysis. These shafts influence the trajectory of our analysis, causing us not only to miss the bullseye but the entire target. Kuo said that we have become obsessed with such myths, one of them being that a free-market economy will produce a free state.

The Chinese model of innovation from the top down also challenges, as Kuo put it, “the American faith that innovation was always sort of a bottom-up thing, that it was always that scrappy entrepreneur in his garage that dates back to Thomas Alva Edison and runs through Steve Jobs and beyond to the contemporary Silicon Valley. That, of course, flew completely in the face of the real history of Silicon Valley, which was ... seeded very much by DOD money.”

Turning to some suggestions on how to compete with China’s tech sector, Kuo touched on a theme echoed by many of the other speakers in this Camden Conference. Instead of investing more in STEM education [science, technology, engineering, and math], said Kuo, we are making it harder for American students to actually afford higher education. This not only chills our ability to compete, but also undermines our democracy. (In a recent poll cited in a panel discussion by fellow-speaker and MIT professor Yasheng Huang, some 50% of American millennials polled said they would give up their right to vote in the next two presidential elections for relief from their student debt. Simultaneously, the U.S. is cutting back on government funding in R&D, the kind of research that gave us the technology edge we enjoy today.)

Kuo also mentioned that higher education was paramount in the values of the Chinese family. But here, too, we are invoking antithetical policies. Kuo said, “I worry that the administration’s open animosity, ... will surely beget reciprocal animosity as well as unwise policies. ...Things like these visa restrictions on Chinese students are only going to push Beijing to redouble efforts to go its own way.”

Another, lighter-hearted but no less significant observation was based on an article that Kuo wrote for Time magazine about China titled, “The Revenge of the Nerds.”

“China is the land of nerd empowerment. It’s true. You know, the shaba, the great student on the Chinese campus, look, nobody’s going to drive by him on the school yard with the Camaro, and the jock rolls down the window and shouts ‘nerd’ at him—just doesn’t happen.”

Writer’s note: Flying back to Seattle, definitively a high-tech, nerdy city, the day after this provocative Camden Conference, I tried to imagine a bronze statue to a “nerd,” but in the mind’s eye it quickly morphed from a Bill Gates to a football player. De-planing in the North Satellite of Sea-Tac International, I was confronted by this football-player statue and reflected how deeply knowledgeable Kuo is of both our cultures.

Reported by Stephen Orsini

“I am sorry to report that a lot of the reporting [on China’s Social Credit System] has been woefully inaccurate.”

KAISER KUO is the founder and host of the Sinica Podcast, a weekly discussion of current affairs in China, and editor-at-large of SupChina.com. He recently repatriated to the U.S. (North Carolina) after 20 years in Beijing, where he worked as director of international communications for Baidu, a Chinese technology company with the second-largest search engine in the world and major investment in autonomous driving programs. In 2010, Kuo started Sinica, a current affairs podcast based in Beijing that invites prominent China journalists and China watchers to participate in uncensored discussions about Chinese political and economic affairs. Before joining Baidu, Kuo was a technology correspondent for Red Herring magazine. He also worked as director of digital strategy, China, for Ogilvy & Mather in Beijing. From 2001 to 2011, he wrote a column for the foreigner-focused English-language magazine The Beijinger. Kuo is a guitarist and co-founder of the band Chunqiu (Spring & Autumn), and he founded China’s first heavy metal band, Tang Dynasty. He is a graduate of the University of California, Berkeley, and holds an MA from the University of Arizona.
Building a Community of Common Destiny with China’s Neighbors

A crowded neighborhood makes for careful diplomacy

Wu Xinbo

Wu Xinbo set the stage for his presentation by pointing out to the audience that, when China started opening up in the late seventies and early eighties, the priority in foreign policy was given to relations with the West, for what he called obvious reasons. China needed access to Western markets, investment, and technology.

Then, starting in the early 21st century, he said, the leadership in Beijing decided that more attention should be given to relations with China’s Asian neighbors, with a focus on regional economic cooperation.

Wu noted that China has 14 land neighbors and another six maritime neighbors. That means China lives with more neighbors than any other country in the world, he added. Wu sees this as “somewhat unfortunate” from the Chinese perspective.

“Why? Because many of these neighbors, from North Korea to Afghanistan to Pakistan and to countries in Southeast Asia, are neither developed economies nor stable countries.

“So that means we not only have a crowded neighborhood, but also a very complex security environment. And we have four nuclear neighbors—Russia, India, Pakistan, North Korea. We live with more nuclear neighbors than any other country in the world. How many nuclear neighbors does the U.S. have? Zero. China has four. If you wake up at midnight and think of this, how do you get to sleep again? In China, don’t worry, we sleep very well, we are getting used to it.”

Asia is also a major region for economic growth, Wu said, accounting for 50% of world GDP growth, with China contributing more than one-third of that. Five of China’s top ten trading partners are in Asia—Japan, South Korea, Taiwan as an economy, Hong Kong, and Southeast Asia. Five of the ten major investors in the Chinese mainland come from the region as well. China is the number-one source of investment in several Asian countries and the largest trading partner to almost all of the Asian economies.

Wu told the audience that he would address three major challenges facing China’s Asian policy:

- Regional economic ties in the wake of the 2008 financial crisis and a trade war with the U.S.;
- Security challenges, traditional and nontraditional; and
- Belt and Road Initiative.

“Now, much has been said about the Belt and Road Initiative,” said Wu. I think the most important thing is that China, drawing on its own experience, believes that for developing countries, infrastructure holds the key to economic development.”

“There is a famous saying in China, ‘If you want to get rich, you need to build a road first.’”

WU XINBO is professor and dean of the Institute of International Studies and director of the Center for American Studies at Fudan University in Shanghai. He teaches and researches China’s foreign and security policy, Sino-U.S. relations, and U.S. Asia-Pacific policy. Wu is the author of The New Landscape in Sino-U.S. Relations in the early 21st Century; Managing Crisis and Sustaining Peace between China and the United States; Turbulent Water: US Asia-Pacific Security Strategy in the post-Cold War Era; and Dollar Diplomacy and Major Powers in China, 1909-1913. He has published numerous articles and book chapters in China, the U.S., Japan, Germany, South Korea, Singapore, and India. Wu is on the editorial board of the Washington Quarterly, published by the Center for Strategic and International Studies. He has been a visiting scholar or fellow at George Washington University; the Asia-Pacific Research Center, Stanford University; the Henry Stimson Center in Washington D.C.; the Brookings Institution; and the United States Institute of Peace. Wu earned a BA in history from Fudan University (1986) and a PhD in international relations from Fudan (1992).
Wu drew from his own biography to illustrate his point. “When I entered the university in Shanghai in 1982 ... it took me about two hours to walk from my home to the county seat to take the bus to the nearby port, then take the ferry down the river to Shanghai. There was no electricity, no tap water, no paved road in my village. Then things began to change. Gradually, when electricity was made available, people began to purchase household appliances. When a road was built, people began to buy motorcycles and automobiles. That means infrastructure promotes consumption, which is good for the economy. There is a famous saying in China, ‘If you want to get rich, you need to build a road first.’”

So, based on its own experience, said Wu, China believes that for most Asian neighbors the key to attracting investment lies in improved infrastructure.

The challenge in promoting Belt and Road is how to raise funds for such huge infrastructure projects.

The challenge in promoting Belt and Road, according to Wu, is how to raise funds for such huge infrastructure projects. China, he pointed out, initiated the Asian Infrastructure Investment Bank, AIIB. More than 90 countries have proposed joining, he said, and 68 of them have been approved. AIIB doesn’t necessarily work exclusively for Belt and Road, he added, but developing infrastructure in Asia is a major function. China also unilaterally set up the Silk Road Fund, a commercial undertaking, unlike AIIB, which is a multilateral financial institution.

“People talk about the problems, challenges confronting the Belt and Road program,” said Wu. “China does not have much experience in investing so heavily abroad. There are many challenges—political, security, economic, financial, social, et cetera. In the last several years, a lot of progress has been made, but also some setbacks. I think China is gradually learning from experiences over the last several years, and making some adjustments.”

Also on the economic side, Wu noted the importance to China of negotiating free trade agreements [FTAs] with its neighbors, the most ambitious FTA agreement now under negotiation being the Regional Comprehensive Economic Partnership, which includes China, Japan, South Korea, ten more Asian countries, Australia, New Zealand, and India.

Turning to security, Wu identified the Korean peninsula as the primary security challenge for China, in the sense of traditional security. China’s support for Security Council sanctions against North Korea for its nuclear program alienated North Korea, a traditional ally of China. At the same time, said Wu, Washington kept blaming China for not being tough enough on North Korea. China was caught in the middle, he said.

Relations have improved, said Wu, through visits to Beijing by the North Korean leader, Kim Jong Un, which have produced assurances from President Xi that China will guarantee regime security, help with economic development, and encourage and support the program for denuclearization and improved relations with the United States.

Another security challenge is posed by Afghanistan, with which China has a short common border. Wu explained that China is trying to provide security support to the incumbent government in Afghanistan by helping train police and by providing weapons. China is also trying to mediate between the Afghanistan Taliban and the government and has brought Afghanistan and Pakistan together for a trilateral dialogue.

Different challenges are posed by nontraditional threats, such as terrorism, separatism and extremism, epidemics, and natural disaster, which Wu called the common threads for Asian neighbors.

“Three months before the September 11 attack on the U.S., China, Russia, and four Central Asian countries established the Shanghai Cooperation Organization, SCO. Its mission is to fight terrorism, separatism, and extremism in Central Asia. Today, this Shanghai Cooperation Organization has expanded to include India and Pakistan.”

Several years ago, Wu added, China launched the Law Enforcement Cooperation Initiative with countries along the Mekong River, including Myanmar, Laos, Thailand, and Cambodia. These four countries, said Wu, share intelligence on terrorist attacks and violent attacks on commercial ships, and also provide a police escort for commercial ships navigating the Mekong River.

As for the maritime disputes between China and Japan in the East China Sea over what China calls the Diaoyu islands and Japan calls the Senkaku Islands, Wu described the eruption of the dispute as “a very sentimental and nationalistic issue in both countries.” After seven years of high tension, said Wu, there has been a gradual calming. Both sides, he said, have agreed to help stabilize the situation so that the disputes can be resolved.

Turning to the South China Sea dispute, Wu said that China has found a way to manage this issue by negotiating with South Asian countries about a code of conduct and by promoting joint exploitation of resources in the disputed area.

Nontraditional threats, including terrorism and separatism, are common threads for China’s neighbors.
Yuki Tatsumi’s overall theme was that, despite the well-known tensions between Japan and China, the two nations are exploring and developing ways to cooperate on important issues in order to promote “confidence-building and mutual understanding.”

“Japan has to grapple with two realities,” Tatsumi said. “One reality is that China will always be bigger, more populous, and, for the foreseeable future, stronger, while Japan will likely go down a trend line of shrinking. Its economy hasn’t quite taken off yet. And despite a lot of discussion of an increase in Japanese defense spending, they’re actually recovering from the last decade. And this is the bottom line—Japan cannot change geography, unless there’s another climate change and glacial continental shift, and somehow the Japanese archipelago moves away from China.”

She illustrated her first point, concerning the aging and shrinking of Japan’s population, by citing Emperor Akihito, 85, as a symbol of the “hyper-aging” problem confronting Japan. In 2017, the emperor petitioned the Imperial Household and Diet for permission to abdicate because of his age and declining health, and the Diet formalized the emperor’s request the same year by adding a new law of succession. Tatsumi indicated that the enthronement this year presents Japan and China an opportunity to compare their similarities and begin to establish a “functional” relationship devoted to cooperative problem-solving.

After reviewing population numbers and the aging difficulties of the two countries, Tatsumi reflected briefly on the claims she reads in the Western media about growth in Japan’s defense budget. While reports suggest that Japan’s defense budget is growing in order to respond to any North Korea missile strike and to counter China’s growing air and sea power in the waters around Japan, Tatsumi disputes the assertion that Japan’s military budget is actually growing.

According to Tatsumi, Japan’s two-decade-long weak economy renders Japan’s defense spending “pretty static.” Said Tatsumi, “Through last year, Japan has spent roughly the same amount as it was spending back in 1997.”

The pragmatic approach that Japan is taking vis-a-vis China, according to Tatsumi, is consistent with the vision Prime Minister Abe has had for Japan’s relationship with China since his first term as prime minister, from 2006 to 2007. At that time, Abe departed from the practice followed by most new Japanese prime ministers of visiting Washington, D.C., as soon as possible after taking office.

“The race to the White House is real for Japanese prime ministers,” said Tatsumi. “But in Abe’s case, he chose to visit China and South Korea first in 2006. And he’s the one who first used the phrase, ‘a mutually beneficial relationship based on common strategic interest’ in talking about Japan’s relationship with China.”

One pragmatic effort has been for the two nations to set aside their “serious disagreements … on issues that are quite sentimental, emotional” and to improve their relationship. Tatsumi pointed to energy security, pollution, aging, digital governance, and maritime security as areas of mutual concern that are amenable to cooperatively developed solutions.

In particular, Tatsumi posited that since Japan has already passed through its industrial development phase and its consequent pollution, Japan has a reservoir of knowledge about pollution mitigation. She believes that sharing this experience with China would benefit both countries.

“Countering environmental pollution,” said Tatsumi, “Japan back in the 1960s and 1970s does have a history of
addressing industrialization-related pollution. So it actually has this experience that it, quite frankly, would happily share with China as it goes through its own industrialization process, dealing with air pollution and other types of industrial-related pollutions."

Another area of progress is in maritime security. After several years of meetings, Japan and China developed a maritime security agreement, signed and instituted in October 2018. This agreement seeks to minimize the risk of confrontation at sea, whether by accident or not. Tatsumi explained that by beginning their maritime security collaboration with search and rescue protocols, China and Japan were able to increase confidence in each other while reducing risks associated with ongoing tensions in the South China Sea.

"Japan always seeks areas where it can potentially cooperate with China," Tatsumi told the audience. "Kaiser’s [speaker Kaiser Kuo’s] presentation talked a lot about AI [artificial intelligence], founding emerging technologies. This didn’t, unfortunately, attract a lot of attention, but at the World Economic Forum in Davos, Prime Minister Abe talked about the need for all the stakeholders in this issue, which include both China and Japan, to start having a conversation about digital governance. And this is a really important point, that Prime Minister Abe said that he would really like to start the process of these conversations at G20, not G7. Because G7 doesn’t include the emerging powers. It doesn’t include India, it doesn’t include China. So he’d rather have this conversation starting at G20, and, just by coincidence, Japan hosts the G20 in Osaka in June this year."

Turning to Japan’s relationship with the United States, Tatsumi noted the large influence the U.S. has on Japan’s foreign policy.

"In Japan’s case, the U.S. plays a big part in Japanese calculations about how it wants to organize its foreign policy. But some of this administration’s policy decisions—including American withdrawal from the Trans-Pacific Partnership and the Paris climate accord, and the president’s threats to withdraw us from NATO—really impact Japanese thinking. Because Japan’s only treaty ally is the United States. Japan always turned to the United States as an ultimate security guarantor. And now increasingly we’re in the area, at least in Japanese leaders’ minds, that regardless of what they may hear from government officials they work with, they’re getting a very different message at the political level."

This drives Japan to rebalance its diplomatic efforts, said Tatsumi, including the relationship with China. She added that Japan also wants maneuvering room on its own. It’s reaching out to Russia and investing in relations with other partners in the region who share an anxiety about U.S. commitment in the region and the sustainability of U.S. leadership there.

"Japan has been reaching out to NATO partners, Australia, India. And, especially with India, it is talking about the infrastructure of cooperation in the South Asia region, just as Japan and China have begun a conversation about how Japan can work with parts of the project under the Belt and Road initiative on infrastructure development or how the Asia Development Bank and the AIIB [Asian Infrastructure Investment Bank] may be able to find common ground and maybe work on a project together."

"Japan is really trying hard to salvage the remnants of the multinational agreements that the Trump administration left."

"And Japan also is really trying hard to salvage the remnants of the multinational agreements that the Trump administration left. President Trump withdrew from the TPP, but Japan worked with other nations who had already signed up for the Trans-Pacific Partnership and basically salvaged it."

Japan has concluded an economic partnership agreement with the EU, Tatsumi pointed out. In addition, Japan is working with China on the negotiations on RCEP [Regional Comprehensive Economic Partnership], and Japan, China, and South Korea are working together on not only deepening economic cooperation but also increasing people-to-people exchanges at the grassroots, the student and youth level.

**YUKI TATSUMI** is co-director of the East Asia program and director of the Japan program at the Stimson Center in Washington, D.C. Before joining Stimson, she was a research associate at the Center for Strategic and International Studies (CSIS) and special assistant for political affairs at the Embassy of Japan in Washington. Her most recent publications include *Balancing Between Nuclear Deterrence and Disarmament: Views from the Next Generation, and Lost in Translation? U.S. Defense Innovation and Northeast Asia*. She is also the author of *Opportunity Out of Necessity: The Impact of U.S. Defense Budget Cuts on the U.S.-Japan Alliance and Japan’s National Security Policy Infrastructure: Can Tokyo Meet Washington’s Expectations?* She was a recipient of the 2009 Yasuhiro Nakasone Incentive Award. In 2012, the Ministry of National Policy of Japan awarded her the Letter of Appreciation for her contribution in advancing mutual understanding between the United States and Japan. A native of Tokyo, Tatsumi holds a BA in liberal arts from the International Christian University in Tokyo and an MA in international economics and Asian studies from the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University.
The last 40 years have seen tremendous growth in economic development in China,” Ma Jun told the Camden Conference audience. “It has benefited our country, pulling hundreds of millions out of poverty. But the environment has paid a heavy price. The vast increase in pollution has contaminated our air, water, soil, and coastal seas, exposing hundreds of millions to health hazards. Last but not least, it has a huge regional and global impact on China as the largest carbon emitter in the world.”

As director of the Institute of Public and Environmental Affairs (IPE) in Beijing, one of China’s leading environmental NGOs, Ma has developed pollution databases to monitor corporate environmental performance and to facilitate public participation in environmental governance.

IPE created the Green Choice Alliance, a coalition of Chinese NGO organizations that promotes a global green supply chain by pushing large corporations to concentrate on the environmental performance of their suppliers. It has also developed the Pollution Information Transparency Index (PITI).

Ma pointed out that the real barrier to pollution control in China is weak enforcement. “And behind that,” said Ma, “are the local government officials who put GDP growth rate ahead of environmental protection and even interfere with the enforcement. So we must find some alternative way to deal with that. Otherwise, the cost of violation will always be lower than the cost of compliance.”

Ma founded IPE in 2006 and started a national pollution database. He began with water and then extended the database to air, solid waste, hazardous waste, energy, and climate. He explained that in 2006 IPE decided that the way to do what they wanted to do was to compile government-sourced data. But they found that there was not much government-sourced data to compile. “So, along with our partner NRDC [National Resources Defense Council], we had to develop an index and have used that over the past nine years to assess the performance of 120 cities.”

IPE began to notice an expansion of transparency. In the first year, it collected fewer than 2000 records of violations in a country with three or four million factories. In 2017 the number of records had grown to 160,000.

In 2007 a group of 21 NGOs launched the Green Choice Alliance.

**The environment has paid a heavy price for China’s economic growth.**

**Ma Jun** is director of the Institute of Public and Environmental Affairs (IPE) in Beijing, one of China’s leading environmental NGOs. Committed to promoting transparency around pollution issues in China, IPE developed the first public database of water-pollution information in China and China’s first index to evaluate environmental information transparency in 113 cities. Ma’s 1999 book, *China’s Water Crisis*, was China’s first major book on that nation’s environmental crisis and has been compared to Rachel Carson’s *Silent Spring*. In the 1990s, Ma became well known as an investigative journalist, working at the *South China Morning Post* (SCMP) from 1993 to 2000 and specializing in articles on environmental subjects. He eventually became the newspaper’s chief representative in Beijing. In 2006, *Time* magazine named him one of the 100 most influential persons in the world. In 2012, Ma received the Goldman Environmental Prize and was listed by *Foreign Policy* as a Top 100 Global Thinker. In 2015, he became the first Chinese to win the Skoll Award for social entrepreneurship. He is currently a Wilson Center Global Fellow (2013–2019). In 2016, Ma appeared in *Before the Flood*, a *National Geographic* film on climate change.
Initiative, asking consumers to pay attention to the products that they were buying from China and to encourage the brands and retailers to green their supply chains in China. IPE made a list of violators.

“All those brands,” said Ma, “we tried to engage with them and many of them would say, ‘We have a green policy, but in China, sorry, I just don’t know who is polluting and who is not. I can only buy from the cheapest.’ Then I could give them our list of violators, saying, ‘Look, you can find something here.’ And one by one, some of the leading brands started doing that. I remember Nike, GE, and Walmart. They were the first group, but not all [the brands] wanted to face this issue.”

When IPE looked at the IT industry, it saw that the manufacturing of the “gadgets that we’re now all fully dependent on” could discharge not just normal pollutants but toxics and heavy metals and have an impact, not just on the ecosystem, but even on local communities.

“But we also found, to our great happiness,” said Ma, “that when a brand started changing their sourcing policy, they could motivate enormous corrective actions. …Not just the pipelines got fixed, but the discharge point got fixed.”

IPE moved to the second industry, the fashion industry, and the 2.5 billion tons of textile wastewater damaging water resources.

“Luckily,” said Ma, “one by one those brands started comparing their list with our list before they signed contracts. They decided that the rules of the game had changed. And they were going to spend tens of millions of dollars to resolve the problem and build all these pipelines and wastewater treatment facilities.

“And to further help, we created another index, the CITI Green Supply Chain Index, with our partner, NRDC, and use that to assess more than 300 local and global brands, and every year come up with a scorecard. Among the top five—four of them, Apple, Dell, Levi’s and Nike—are American brands. They are the global leaders. They, along with some Chinese brands, have decided to incorporate the Green Choice process into their sourcing code.”

Next, Ma addressed the issue of smog in China. “Between 2002 and 2011 our coal consumption tripled. And the original projection is for this to be doubled, before we peak by 2040. That’s already half of the world’s total consumption.

“Luckily, people made their voices heard; the government changed its policy, started monitoring the PM2.5 and disclosed that every hour to the public. It is not enough just to know which day to put on a facemask or lock our children indoors. We have to tackle the sources. The sources also need to be made public. So a whole group of us demanded a total transparency initiative, calling for the real-time disclosure of online monitoring data. We thought it was going to take years.

“But to our surprise, the very next year the government required it to happen. We decided to tap into the power of the mobile Internet and developed our Blue Map mobile app, filtering the air-quality data, giving people a way to see all the air quality and help them to protect themselves and their families.”

This mobile app also compiles data on rivers, lakes and reservoirs, soils, coastal seas, and more than one million factories, all on the digital map, for people to access. Those who are not in compliance appear in red and those in compliance in blue. And action plans on air pollution and water pollution have been initiated.

“The highlight of that,” said Ma, “is that the government agencies decided to tap into the power of social media, and they allowed our app as the first civil-society application to be interconnected with them. So our users can take pictures of all these dirty rivers and file them through our app into the reporting platform.”

In closing, said Ma, “We are facing a severe challenge. It matters to China and matters to the world, matters to this generation and our generations to come. We are making some efforts, and the social progress made in China, with the rising public awareness, the changing government policy on the environment and also the expansion of transparency, it forced an opportunity for us to tap further into the technology. I do feel that it’s primarily our own duty. It’s our land, our people, and our factories. We have to manage that. I really appreciate your attention to the environmental issue too, across the Pacific. I do believe together there’s a better chance for us to scale up our emission control, make it far more efficient, effective. And together, there’s a better chance for us to preserve the beautiful planet home.”

Reported by Dave Jackson

RAW TEXT END
Elizabeth Economy advised that she’d be offering her own framework for understanding China as well as bringing together “some of the threads” of the earlier speakers.

She then referred back to the party congress of 2017, where Xi Jinping had been re-selected for his second term as general secretary of the Communist Party. In his acceptance speech Xi stated: “China has stood up, grown rich, become strong, and is moving towards center stage.” This phrase, she feels, encapsulates “the evolution of China’s political ambitions and Xi’s view of his own tenure within the context of recent Chinese political history.”

Economy then briefly revisited China’s development over the past 70 years, beginning with the Mao era, but adding detail when she reached 1979, the year that began Deng Xiaoping’s era. This was the period of China’s growing rich, of reform and opening up, a “second revolution” characterized by a more collective decision-making process, the introduction of the free market into the Chinese economy, a start to allowing civil society to flourish, and the welcoming of foreign influences, as both foreign capital and nongovernmental organizations were allowed into China. Deng also maintained a low-profile foreign policy, focusing on developing China at home.

It was on Deng’s successful base that Xi Jinping began, in 2012, to create his own model of Chinese politics, according to Economy, who described Xi’s new model in terms of what she considered the four most important structural shifts that Xi has instituted.

The first such shift was Xi’s move away from a “consensus- and collective-based decision-making process, back to … single-man, authoritarian rule,” under which Xi was soon presiding over the committees and commissions that oversee broad swathes of Chinese policy. He also started a robust anti-corruption campaign in 2018, in which some 623,000 officials were disciplined, among whom, perhaps not coincidentally, were many of Xi’s critics. Xi’s concentration of power included his elimination of prior limits to his terms as party general secretary and president, making him, in effect, ruler for life.

Xi’s major shift, said Economy, was to “reassert the power of the Chinese Communist Party into the everyday life of the Chinese people” in ways that canceled many of Deng Xiaoping’s reforms. The anti-corruption campaign, aimed mostly at public officials, was one tool in this effort, as was the surveillance program (aimed at citizens) being put into place across China, with as many as 200 million surveillance cameras already installed, “capable of facial recognition, but also moving toward voice recognition and gait recognition.” There are plans to install as many as 600 million of these cameras. Even more frightening to Economy are the party’s repressive actions in the Xinjiang Autonomous Region, an area she said was being “transformed into nothing less than a police state.”

Another proposed party intrusion into Chinese people’s lives is the Social Credit System, through which the “political and economic trustworthiness of each citizen will be evalu-
Robert Daly began by referring to the current “anger and vitriol” in Washington at what he termed the “simplistic approach” in recent years “of making China more like us,” an approach that has clearly failed.

“Is this China’s century?” Daly asked rhetorically, referring to the conference theme.

“And the answer is ‘yes,’ in that I’m fairly sure,” he said, “that for the vast majority of Chinese, this will be the best century in history in which to be Chinese, by almost any measure, including the exercise of personal freedom that most Chinese people have in their daily lives. Anybody who got there in the eighties, early nineties, will see the difference. And so this is a tremendous human achievement that has to be recognized and celebrated. And as we get more concerned about China’s rise, I think we have to remember, and this is often forgotten in Washington, that China’s rise in the main is wholly legitimate.”

Although Xi Jinping has adopted an increasingly heavy-handed approach, said Daly, with the result that there is indeed less personal freedom now than in the recent past, the fact remains that for the vast majority of Chinese their material lives have significantly improved.

“Is China likely in the 21st century to have a global status similar to that the United States has enjoyed since the end of World War II? I think the answer is probably ‘no.’ And the reason is that I agree with the official Chinese position that the Chinese Communist Party, the CCP, while it evolves, will also endure. And I think there are a lot of reasons to believe that a China led by the CCP is going to prove continually unable to develop American-style soft power, which I should note is an asset that we are currently bleeding out at an alarming rate.

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China has been stymied by its insularity, its very deep belief in Chinese particularism—“its essential and distinct Chineseness”—which continues to drive Chinese behavior and compels policy in specific directions. It’s why Xi rejects the idea of universal values, said Daly. But this rejection of universalism, and a concomitant belief in Chinese uniqueness and wisdom—one hears an increased emphasis on this in “Xi-ist discourse”—doesn’t play well outside of China.

Nevertheless, according to Daly, the Chinese leadership is quite confident of the direction in which it is moving. And as a result, the Chinese population has developed a corresponding sense of self-confidence, a high regard for that distinct Chineseness; indeed, one of the great strengths of the Chinese in their competition with the United States is this commonality of purpose.

Among the Chinese, certainly, there are disagreements, but “there’s a relatively strong buy-in, top to bottom, in their sense of a national project”—a sense, Daly noted, that doesn’t exist in the United States today.

But this very self-confidence has led in recent years, Daly suggested, to “a global blowback.” China is seeking a world that is wholly acceptable of Chinese behavior. The problem is, given a choice between China’s authoritarian values and the U.S.’s belief in individual rights, China is not popular in the rest of the world. And that is China’s current dilemma: So long as it can’t adjust its behavior, it will be increasingly difficult to exercise the power and influence internationally it wants.

“Because China is particularistic,” said Daly, “critiques from outside China are perhaps not [seen as] legitimate ... Again, it is true that China is a civilization state and that that needs to be continually reexamined if we’re to understand China and deal with it properly. And so I think that [keynote speaker] Martin Jacques was quite correct to stress China’s status as a civilization state. And one of China’s greatest strengths in competition with the United States is a commonality of purpose among many Chinese. Saint Augustine said that a nation should be defined as a multitude of rational beings in common agreement as to the objects of their love.”

Of course, Daly added, there’s “a failure of new ideas” on the U.S. side, as well. We are “flailing,” he said, citing what he referred to as the “bad actor” speech Vice President Pence gave last October about China at the Hudson Institute, a speech Daly sees as totally devoid of any strategic ideas. Indeed, he said, it was really a “declaration of hostility to China.” Pence cited “a litany of complaints” the U.S. has against China, he added, but completely missed the big picture: the energy and ambition that today’s China has in spades.

With two such powerful and prosperous countries in “a contentious relationship,” the key question, Daly believes, is whether, going ahead, we will be able to find a way to manage our large and growing disagreements: “The challenge is to move beyond overreach on China’s part and overreaction on America’s.”

“Normalized competition” is the solution. Daly believes the U.S. has three key interests with regard to China:

1. Preventing Chinese domination of the East Asia Pacific region, while at the same time recognizing China’s legitimate interests in the region. This will, above all, Daly emphasized, require diplomacy.

2. Preventing the global spread of illiberal Chinese practices, while “acknowledging and welcoming China’s increased ability to provide global public goods.” And again, diplomacy is what will make this possible, said Daly.

3. And finally, “We need to avoid a new arms race with China that would comprise not only nukes but space and cyber as well.” And once again, diplomacy is the key element: It means developing “new treaties and new understandings.”

Daly concluded by underlining the thought that both the U.S. and China have to change their behavior in the years ahead: “China must learn to be a truly integrated world power, despite its extremely deep civilizational instinct for insularity. And the United States must adjust to the fact of Chinese power, despite our preference for continued preeminence.”

We both face very difficult choices in managing this relationship, said Daly. It certainly won’t be easy, but “If both nations find ways to change over the very long term, then we can both find ways to prosper in this century, no matter who ends up claiming it.”

Reported by Mac Deford
Final Panel: Q&A

The final panel at the 2019 Camden Conference included all ten speakers as well as Susan Thornton, retired senior U.S. diplomat with extensive experience in Eurasia and East Asia. What follows are selected questions addressed by the panel, with responses edited for length.

Question: Xi Jinping has stated clearly that he intends to carry out the longstanding policy of the PRC to reintegrate Taiwan into China. The Taiwanese have indicated that they are not particularly interested in being reintegrated into China. What can the U.S. and the international community do to defuse this potentially dangerous situation?

Susan Thornton: I think what the United States can do is what we’ve been doing since the recognition of China by the United States in 1979, which is provide a lot of support to Taiwan, give it confidence to deal with China from a position of strength, and continue to admonish and make sure that Beijing’s policies are not hostile and that reunification is accomplished peacefully, with the acquiescence of both sides. I think it’s becoming more difficult as China’s military strength increases, but I personally find it dubious that the Chinese mainland is going to retake Taiwan by military force in the near future.

Wu Xinbo: I think China’s policy regarding reunification with Taiwan is still peaceful reunification. My major concern at the moment is that currently in Washington, in the Trump administration, some people are rediscovering Taiwan’s strategic value to counter a rising China by using Taiwan as a strategic counterweight against China’s strategic influence in this region. If that trend continues, that will cause a lot of anxiety on the part of Beijing, and it may force Beijing to take some forceful means to deal with the situation.

Robert Daly: While strengthening Taiwan’s confidence and resolve, it’s very important that the United States not gratuitously stick a finger in Beijing’s eye. Inviting the president of Taiwan, Tsai Ing-wen, to address a joint session of Congress, as some senators have called for, is an extremely bad idea, and it’s also bad for the people of Taiwan. I worry that some people wish to feel righteous and defend Taiwan through these very elaborate gestures.

Yuen Yuen Ang: I thought it might be helpful to point out that recently there has been a new political rock star in Taiwan, the newly elected mayor in the city of Kaohsiung. His name is Han Kuo-yu. The reason that he was elected is that he promised to bring about economic development. And so even though in America people might think that whenever they think about Taiwan the focus is on Taiwan’s reunification with China, within Taiwan the key domestic issues that matter to the Taiwanese people may be very different.

Elizabeth Economy: I don’t think that time is on China’s side in terms of peaceful reunification. All trend lines show that the vast majority of the Taiwanese people have no interest in reunification, certainly under the current system in China.

Question: Is there any citizen pushback against China’s Orwellian surveillance practices?

Kaiser Kuo: There’s no question that the extent of intrusive surveillance is something that most Americans would find unacceptable. When people talk about Orwellian surveillance practices, there is what’s happening in Xinjiang right now, which I think no one would deny qualifies as Orwellian and is deeply, deeply disturbing. But if you look at the rest of China, a lot of what people worry about is this so-called Social Credit System, which right now is about 40 pilot programs, several of which have already been shut down. What we have are these private initiatives by some Chinese companies, like Tencent and Alibaba. There is pushback on certain types of Orwellian surveillance practices, certainly, but not on the ones that we’re talking about most, on social credit.

Question: Considering China’s control of the Internet and restrictions on personal freedom, how does all that affect innovation culture?

George Yip: I think it’s got less effect than many people think. One of the things that Chinese companies do is that they open an R&D branch in China so they can have full access to the Internet. They get around the problem by setting up within Hong Kong or the U.S. or anywhere else. A broader issue is that people often think the scientists won’t be free to do what they want. And that’s just not very relevant, because China is watching for people who raise political opposition. But if you’re a scientist or an engineer or a businessperson, just trying to make money or invent things, then they support this. And remember that Leonardo Da Vinci worked under tyrants, and he was pretty innovative.
Chinese are actually very, very disobedient. We have a different perspective that they haven’t had, 240 years of American culture of belief in individual freedom. Chinese haven’t expected individual freedom for 3000 years. They don’t necessarily miss it.

Economy: I think this is one of those moments at which it’s wise to remember Robert Daly’s admonition that there are many different people in China, some of whom actively do want the opportunities for greater expression and freedom on the Internet and some who don’t.

Yasheng Huang: I do counter Robert’s point on that. There are economists who did some experimental research on Chinese students in China to see whether or not, if given the choice, they would use VPN [Virtual Private Network] and jump the great firewall and search for information. The statistical results show that they actually don’t, even given the choice. In Hong Kong, in Taiwan, now they have that opportunity, and they know the value of it, and they will not let it go. But to the people who never have had it, it’s different. I do dispute the view that there is this sort of inborn genetic base for universal values. It’s not genetic. It is something that you acquire, but once you’re a part of it, you like it.

Moderator Indira Lakshmanan: This is an interesting point you make because I think it goes to the larger point of the sort of debate within the larger China community. There’s a term like “panda huggers,” people who are supposedly too close to China and are totally uncritical. There is a debate that if democracy or Western powers are in any way retreating, it’s because we’re eating ourselves from within because we are so critical of ourselves in a way that authoritarian states are not, that one of the great strengths of democracy is that we are self-critical, and we’re constantly picking at what we do. But the problem with it is we don’t want to eat our own children. We don’t want to weaken ourselves.

Thornton: I gave a speech recently at the Carter Center on the 40th anniversary of U.S.-China relations, where I talked about how the U.S. is so self-critical and that I think it’s time for China to do more self-reflection. But we also need to be careful, because actually the Chinese system is quite self-critical. It just doesn’t do it in full display for everyone to see and hear. It’s part of that cartoon image that we have, that we’re always self-critical and battling with each other, but the Chinese are in lockstep going forward.

Ang: Oftentimes my Chinese colleagues would say, “Oh, why do Americans think that we don’t deliberate a great deal inside the bureaucracy?” The Chinese have a sort of delimited idea of deliberation, intense negotiations, bargaining, and reflection that happens within an intermediate elite strata within society, which is different from America, where everyone can participate. I do think that China has reached a stage of development where it has to take that deliberation that used to be within the bureaucracy and bring it to society, because China’s development has reached a stage of complexity where it really needs civil society to participate and to bring about solutions.

Wu: Having listened to presentations here and many other places in the United States, sometimes I just realize how simplification and misinterpretation, deliberate or not, really get China wrong, because this is such a big country with such a big population, such diversity, that you can almost say anything about China. But the truth is that every argument has its own limits. I teach a course on contemporary America at Fudan University. I always caution my students to never come up with a single picture about the United States. Today if you watch CNN or Fox News and see the government shutdown, you’ll think this is a paralyzed country. But I travel to the United States several times a year. I realize this is a very vibrant, dynamic society.

Question: What are your thoughts about educational change, educational reform, how that will play into the future?

Yip: There are probably some inherent disadvantages in the Chinese education system. But it is gradually changing, partly because of the huge numbers of Chinese who’ve studied in the West and are coming back and influencing it. Many of the teachers themselves have been trained in the West.

Martin Jacques: The Chinese are extremely committed to education. The bearers of this tradition are really the Chinese mothers. Chinese students, both in China but maybe even more strikingly when they go abroad, are incredibly hard-working and very committed to learning and curious. In some respects, they’re model students.

Huang: I often say that during this difficult period between China and the U.S., people like us are in a difficult situation, because China is my mom and the U.S. is my mother-in-law. And they don’t get along. Politically I side with my mother-in-law; emotionally, I don’t know. About education, some colleagues and I were
looking at math papers by Chinese mathematicians, and the Chinese are really producing math papers at the same level as in the United States. Most of the suppression is in the social sciences. Natural science and STEM Chinese scientists, Chinese professors, enjoy more freedom, economic freedom, than American academics in science and technology. Economic freedom really matters. If you think of all the scientists having to go out and raise money, four or five hours a day, those five or four hours are not spent on research.

Wu: I teach both Chinese and American students at Fudan University, and I say the difference between them is because of the structural system. The Chinese students have good attitudes toward learning, and they have solid mastery of the knowledge. The U.S. students pay more attention to capability. They like interaction in class and also are very good at critical thinking. I think that’s very important for social science. At my university, 50% of the students will have the chance to go abroad as exchange students. I can tell, when the students come back from the U.S. after one semester or one year, they have suddenly improved their capability of critical thinking.

Question: What’s going to make the wheels come off the economy of China, because nothing goes up forever?
Kuo: Let’s keep a couple of things in mind. So, 6.6% growth was the lowest reported in 18 years. That represents $1.2 trillion in additional demand in 2018, which is twice as much as we had seven years ago. The size of the economy of China right now is $13 trillion, $14 trillion, and only a decade ago it was $4 trillion. Of course we’re going to see economic slide. People worry a lot about debt. And I do too. People have been predicting the collapse of China now for 14 or 15 years, and they’ve been wrong.
Huang: I think I’m more worried than Kaiser is about the Chinese economy. Survey research shows that the Chinese private sector is losing confidence, and the PMI index doesn’t look very good. If you look at the investments by the private sector, they are trending down. Indications are that the quality of the growth is deteriorating. It’s mainly driven by massive debt, piling up. So the debt-GDP ratio is extremely high. The productivity numbers don’t look very good. The studies on trend growth show very clearly that the trend growth is coming down. This is not related just to the current leadership. It’s actually a result of the massive infrastructure investments that the Chinese government launched in the wake of the 2008 financial crisis.

Question: How important is nationalism now for the Chinese regime in terms of a pillar for political legitimacy? And how is it shaping China’s foreign policy?
Economy: I think that nationalism is one of the potential pillars of regime legitimacy, the other strong one being economic growth. If economic growth is declining, then nationalism becomes all the more important. Having said that, I think the regime wants to be careful about letting nationalism spiral out of control.
Wu: I don’t think there’s a growing trend of nationalism in China. The nationalist movement had to do with some major crises, either in relations with Japan or with the U.S. But I think nationalism is kind of a double-edged sword for the government. Generally, I do not think the government intentionally foments this kind of nationalism to serve its foreign policy agenda, because it may become counter-productive.
Thornton: Stability and predictability and certainty are also very important for the Chinese people, who actually have quite a high level of confidence in their authority. I think it’s important to note that a lot of Chinese people are feeling more satisfied than many people would think.
Ang: Generally, nationalism, values, and authoritarianism are highly correlated in all countries, including China. I am worried that, with rising U.S.-China tensions, nationalist sentiments are increasing in China. And I really wish that Chinese people would have a chance to see the Camden Conference and see that here in America there are people who are moderate, who are balanced and open-minded. Just as Americans often see a partial view of China, Chinese people see a partial view of Americans too. And I really wish that they could come and see this.
Reported by Ann Cole
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