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Transcript

CHINA IN THE WORLD PODCAST

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Guest: **Shi Yinhong**

Episode 124: China's Shift to a More Assertive
Foreign Policy

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Haenle: Welcome back to the China in the World podcast. Today I'm pleased to be joined by Professor Shi Yinhong for the first time on the podcast. Professor Shi is our fourth guest for the

special series we're doing on China in the World commemorating our five-year anniversary. Over the past month, I've been interviewing five of the premier Chinese scholars on international affairs and on the U.S.-China relationship, and for those few of you who have missed the last three episodes, I had a chance to sit down with Professor Cui Liru, Professor Wang Jisi, and Professor Yan Xuetong. I encourage you to go back and to listen to those episodes. Today we're extremely fortunate to have with us Professor Shi Yinong. Professor Shi is a well-renowned international politics scholar here in China. He's a strategist and an expert on U.S. affairs, and he's currently teaching at Renmin or People's University. Professor Shi serves as the director of the American Studies Institute at Renmin University. He's also the director of the Academic Committee of the School of International Relations there. He was previously a professor of international history at Nanjing University where he served as the associate dean of the School of Humanities at Nanjing University and then professor of international relations and the director of the Center for International Strategic Studies at International Relations Academy in Nanjing. Professor Shi was a Fulbright Visiting Scholar, conducted independent research at Harvard University, also at North Carolina University-Chapel Hill and Germany, East Europe and International Relations, Federal Research Institute as well as teaching at Denver University at Hong Kong Technology University for graduate students. In 2011, he was appointed Chancellor of China's State Council. Professor Shi, thank you very much for joining us today.

Shi: Paul. It's my great pleasure.

Haenle: You've been looking at the U.S.-China relationship for a long time.

Shi: Yeah. Yeah.

Haenle: We are about to celebrate the 40th anniversary of the normalization of U.S.-China relations, and I want to just start by asking you the same question I asked Professor Cui, Professor Wong, Professor Yan Xuetong. As you look over the last 40 years, what do you see as the major lessons learned, and how do they inform the U.S. and China in our approach going forward?

Shi: You asked about the 40 years China open-door and reform or 40 years Sino-American diplomatic relations?

Haenle: We're talking about the U.S.-China relationship, but of course if you want to talk about the China's 40th anniversary of reform and opening up, which is also happening this year and how that has impacted the relationship, it's up to you.

Shi: Well today in this year, different people have different emphasis to look at China's experience of 40 year-long reform and opening up, and I think ...

Haenle: Initially launched under Deng Xiaoping.

Haenle: Yeah, I think that one group of people put emphasis on what happened before 18th Party Congress, and they always think that Deng Xiaoping is great because he launched the whole of the process.

Haenle: This is prior to, this is the 2013 18th Party Congress. Prior to that, it was major focus on Deng Xiaoping.

Shi: Yeah. A group of people emphasize Deng Xiaoping's determination to reform China, to open China to the world, and to remember this very much. And he focused on economic growth and on raising the living standard of Chinese people, especially, and those people always put emphasis on how he was visionary and brave and strategic, too. He also crafted China's foreign policy, including policy toward the United States based on his very famous doctrine of taking a low profile and doing something constructive. But of course, another group of people emphasize what happened after the 18th Party Congress held in November 2012, and they focus on what President Xi Jinping has done to boost China's domestic stability and boost the so-called Party's ideology and purity, and to boost China's power, especially in the Asia-Pacific. So I think that the people have different points of view.

Haenle: So just to be clear, you see quite a difference before the 18th Party Congress 2012. I said 2013 but 2012. But previous to that, really focusing on China's economic goals, raising the living standards — and you mentioned this international approach of *tao guang yang hui* where China keeps a low profile in the international arena, focusing on domestic development. But after the 18th Party Congress, you are seeing a shift towards an effort to boost China's domestic stability, party ideology, and Chinese power. What's the shift that you see — the major change after 2012?

Shi: Of course, there has been some continuation, but what opinion within China, outside China, and even by the top leader himself...emphasizes change, and the change brought about by Xi Jinping.

Haenle: And is this change, you see it in the economic sphere, in the political sphere, and in the international sphere?

Shi: Yeah, yeah, almost all major categories, great change.

Haenle: And how in your view has that impacted the recent trajectory of the U.S.-China relationship?

Shi: I think, of course, such a historical development as the U.S.-China rivalry, including the trade war, is something which has various major courses. But anyway, one of the most important courses is what China has done in both strategic and trade fronts, even ideological fronts and

domestic fronts, which have great impact upon American way of thinking about China and upon American initial policy response about China.

Haenle: And how would you describe after 2012, the evolution and the economic side in China, how would you characterize that?

Shi: I believe that five years ago Xi Jinping committed to furthering and broadening domestic economic reform.

Haenle: This is at the Third Plenum in 2013.

Shi: But up to now and people still think that...much is left to be desired. On the other hand, he very remarkably boosted state control on China's domestic and overseas economic activities, which always...has been the Chinese characteristics compared with most of the other countries in the world. But this kind of ...

Haenle: Did this surprise you?

Shi: Yeah, yeah, yeah. Much too strong.

Haenle: Given in 2013 at the Third Plenum, there was the shift in the language to say that the market would be the decisive factor in allocating resources, but you're talking about a shift to much more state-led...

Shi: I don't think that this is a real shift because even in the first place in the Third Plenum session in 2013, maybe at that time Xi Jinping also at same time had another mind, and what is different is that at that juncture five years ago maybe he himself did not have two clear, distinct, differential ... these two so-called minds. But after that, until most of even now, his practice is to China's state enterprises, China's control of its domestic and overseas activities, so this at least has been his domestic economic priority — until now.

Haenle: As you look back at China's miraculous economic growth over the last several decades, a focus of a few of my past discussions in this particular series with Professor Wang Jisi and Yan Xuetong, we talked about whether that growth and development was due to the state-led development model or whether it was due to the implementation of market reforms. You talk about a balance that China tries to seek between that state-led and market aspect of the economy. What in your mind do you attribute to the ...

Shi: Oh, this is an issue of historical perspective. And you look at China's drastic growth and financial capability, and the improvements generally happened before, five or six years ago. And after that Chinese society and the world environment became much more complicated, so China

began to have, in my words, gradually, a slow but adamant downturn trend up to now and in GDP and in national and government income and so on. So, if you ask a question and welcome this China's astronomical growth rate in GDP, in foreign trade, in financial capability, despite the structural problems in this kind of a growth. I think of course, generally this began with Deng Xiaoping, especially with his Southern Tour in 1992.

Haenle: One of the scholars that I interviewed recently said China's miraculous economic growth could not have happened without the private sector, but it could have happened without the state-owned enterprises.

Shi: Yeah, of course. I think that China's economic growth could not happen without the private sector and without state sector, but you compare with history and the decades before the launching of opening and the reform, what changed? What changed from Mao Zedong's economic practice, and at that time there were a lot of SOEs, although the size and power was not big like today, but Deng Xiaoping allowed the market to play a vitally important role in Chinese economy.

Haenle: Hmm. So, in our panel earlier today with a Congressional staffers from the United States, you spent some time talking about the changes in China's international approach over the last five years. And here there's really been, as you've mentioned in your comments, this shift from *tao guang yang hui* (keeping a low profile) to what some describe as *you suo zuo wei*, or striving for achievement. And this has really happened over a short period of time.

Shi: Oh, I don't think so. And everything has a political historical process. This began ... before the Xi Jinping ascendance into power in 2012. And I think that maybe ...

Haenle: When do you think this shift first started happening?

Shi: Maybe, a first turning point, the first turning point was the year 2008. At that time, China's jump to growth in national trends became more prominent in the context of Western way of functioning at that time.

Haenle: So you mean the global financial crisis that ...

Shi: Yeah so gradually, you listen to what Hu Jintao said. You look at China's foreign policy and you think that Chinese intentions began to change. China became more, you know, aspiring.

Haenle: So, what impact did the global financial crisis, I noticed by the way, that many Chinese experts call it the U.S. financial crisis. They don't call it the global financial crisis. What impact did that have on Chinese thinking about —

Shi: Well, I think that the China jump to growth is a phenomenon which already began in 1992.

But at that time, the Western world was quite, at least it appeared to be very strong, very prosperous, and very reckless. So, it shouldn't be waiting until 2008 when China's growth became much more prominent. So this immediately combined ways and China's Beijing Olympics immediately impact on China's public opinion, elite opinion, and I guess to some degree impacted the thinking that China could gradually to do more and take a little higher profile.

Haenle: That's very interesting. So *tao guang yang hui* concept began to shift earlier than the 18th Party congress. This is not just President Xi's...

Shi: So, I emphasize that this 2008 was first turning point, but of course President Xi's ascending to power was the second turning point. And, this accelerated the process. The second turning point is even more important than first turning point.

Haenle: And when you talk about the impact of President Xi on this trajectory being even more significant, what aspect of his leadership are you referring to?

Shi: I think that most of the things, of course, according to my speculation and observations, come from his particular family background, come from his particular early experience. His family had a very noble communist background but suffered during the modern era. And also, I think that you can find his true belief. He believes in the Marxist model, Mao Zedong thought, and in a very rigorous and pure ideology, and he also believes that China should have a much more strategic economic and political presence on the world stage. I mean, China, in his very famous words, China is definitely moving toward the center of all the countries.

Haenle: And this he said at the 19th Party Congress last year.

Shi: Of course, also, I think that he is a top leader and has a process to concentrate power in his hands alone, which makes his foreign policy significantly powerful. The motivation and all these elements combined with his launching and conducting his anti-corruption campaign made China's domestic policy and international policy have very clear personal characteristics.

Haenle: We're seeing a lot of tension in the U.S.- China relationship. There's a debate in the United States about whether or not — not whether, but how do we update our approach to China? There's talk about much more competition in the relationship. Vice President Pence gave a speech in October at the Hudson Institute and then during his remarks when he traveled out here for the ASEAN meeting, East Asia Summit, and APEC, he built on those remarks at the Hudson Institute and criticized a number of Beijing's policies, Chinese policies and actions in the South China Sea, unfair trade and economic practices, the Belt and Road Initiative, across the board. The relationship seems to be at an inflection point, many say. And I want to get your sense of what can we attribute that to today? Why are we seeing this inflection point and this greater tension and competition in the U.S.-China relationship?

Shi: And I believe that this kind of unfortunate situation was already in the making several years ago. China started to do a lot more and became more powerful. And on the trade front, and in spite of Western complaints about China's trade practices, China has done almost nothing fundamental. So gradually, unfortunately, China's found that within United States, political opinions change. Not only elite opinion, not only opinion in the political and strategic world, but also public opinion, and now it seems the Republicans, or mainstream Republicans or Democrats, have a consensus.

Haenle: So you think this represents a fairly major shift in U.S. thinking?

Shi: Yeah, yeah of course. And not only, you know, all of those major three political forces, I think that in the long term, middle and long term, China's most threatening rivalry is with the U.S., but today I already agree with some basic strategic elements. And in Mr. Pence's words of October 1st, first the United States should reverse, try to reverse, the so-called economic aggression toward China, especially its focus on China's industrial policy. And second, the United States should check China's so-called military expansion, whether in the arms area or in the South China Sea or even, which is most sensitive in China, the Taiwan issue. And surely the United States must make efforts to compete with China's so-called predatory economic practices in the developing world and resist China's so-called debt diplomacy. If you look at all of these things, if you look at the initial American response, the American government response to all these five aspects, you can see not only that there is a rough consensus within the United States to compete with China, but there's wider consensus on some basic strategic elements in the general sense.

Haenle: You've described a set of tensions across economics, strategic, south China Sea rivalry in the Asia-Pacific, development models, international development models around the Belt and Road, human rights, and the Chinese interference across a range of issues, politics with the elections, academia you didn't mention, but I think that's implied there.

Shi: Well, this is including...so-called China's interference in American society, including academia and so on.

Haenle: So we're obviously moving into a much more competitive relationship, and as we begin to adjust to these new realities, I want to get a sense from you, and we begin to construct an updated framework for U.S.-China. What should the key considerations be as we begin to construct this relationship?

Shi: I think if you ask how to deal with this kind of dangerous situation, I think that this depends on two sides: the United States and China. And the United States should seriously consider whether it is wiser to recognize these policy systems, whether China is entitled to certain things because it has become one of the most advanced economic powers in the world and is entitled to at least some strategic rights in the western Pacific and so on. But at the same time, China must do its

own part and examine its economy over the past six or seven years, and I appealed to the Chinese government, saying it should use another five or six years to do two things: one is conduct a sufficient strategic retrenchment. Second is to do almost a Great Leap Forward to improve China's trade practices based on real reform, much more broad economic reform, especially at home. And also at the same time, of course (and this is almost the same thing), dramatically broaden market access.

Haenle: This is very important in terms of what you see as actions that China should take to contribute to this adjustment in the U.S.-China relationship. I want to ask you about this first one: conduct sufficient strategic retrenchment. What do you mean by that?

Shi: If you look at what constitutes China's strategic front, especially in context in relation with the United States, you will come first upon the Korean problem and second upon the Taiwan problem. On the East and South China seas problem, there is a [lurching] to a Sino-American arms race in the Western Pacific. And then there is the China-Russia strategic mutual cooperation and its growing influence on China's Belt and Road Initiative. In these areas, because in the past six years, we do a lot. And this, combined with other basic practices, including changes within the United States, American society, and so on, helps to mobilize United States' antagonists. So in the next stage, I think that China should reconsider its strategic achievements to make some retrenchments.

Haenle: So on these strategic issues: North Korea, Taiwan, East South China Sea, arms race issues related to the Asia-Pacific, China-Russian military cooperation, and Belt and Road. China's done a lot in a short period of time. And that has had a major impact, and it may be time for a reconsideration of how much one of the scholars that we interviewed for this series said that China's shift from *tao guang yang hui*, keeping a low profile, to *you suo zuo wei* was going to happen, and it needed to happen. But his view was that the scope of the shift has gone too far. Would you agree with that?

Shi: Maybe this kind of opinion originally came from me.

Haenle: So, you agree with that?

Shi: But of course, the common sense is that strategy should have flexibility. And up to a period of dramatically pushing forward, you have to adjust your strategic posture. And the major purpose is to demobilize your antagonist, and by your own initiative, have a chance to go in another way. And then, after that, if this kind of strategic sentiment could, you know, be very effective for this purpose, then in the next stage of history, you could go upward again.

Haenle: Now the second area in the category of what of what you described as China must do its part was significant improvements in China's own trade and economic practices, real determined

effort to implement and deepen economic reforms at home. You were about to list the areas where China needs to focus. What do you see as those specific areas?

Shi: First of all, I think that China, on the assumption that to maintain the fundamental stability of China's economy and finance, China ought to do much more and quickly give the market clearer laws for economic conduction, and give the private sector more rules to play, and give capital more room to play. China should open its door more broadly by making appropriate concessions to advance its economy. Although time is running out, we still have some time to make stronger efforts. And also China should gradually reduce the national government's dependence on revenue; China should use money, government money, more stringently to make its investments, and based on a principle of efficiency. So sometimes China should not invest too much on some projects which have poor prospects for profit.

Haenle: You mentioned market access. The private sector gives them more room for their involvement. Foreign capital allows more room for foreign capital. In our panel discussion with the Congressional staffers, you also mentioned intellectual property, forced technology, and industrial policy.

Shi: I described the demands of Trump and his administration upon China, and the Trump administration obviously repeated again and again that it wanted a forced agreement by China. Trump wants everything from China. But the core desire is that China must change a large part of its economic model and a large part of its industrial policy. First, Trump wants the immediate end of China's so-called stealing of American intellectual property. Second, he wants China immediately stop so-called forced transfer of technology by American enterprises in China. Third, the Chinese government should immediately stop the special preference given to China's SOEs, the sometimes-enormous subsidies. And also Trump repeats again and again that this time, the general and ambiguous promises are useless without implementation.

Haenle: The pressure from the administration is more severe than ever before. And where are there areas where, as we look at the two presidents about to meet at the G20, the U.S. side this summer gave a five-page document, which has been broken down into 142, 143 items. My understanding is that 40 percent of those items, China has indicated it could do right away. 40 percent of those items it could do, but it would take a few years. And then the last 20 percent, China has said, "These are off limits; we cannot move on these." Where do you see the areas where the U.S. and China can make progress?

Shi: I think that it's very easy to jump to conclusions about American exports to China with China's acceptance. It's also relatively easy to allow substantial broader China market access to American capital. But this is not in Trump's key demands. And according to previous unfruitful negotiations between Washington and Beijing, these demands are already taken for granted. Trump wants more, Trump wants to seriously stop many of China's economic practices, as I

mentioned before. I do not know whether Xi Jinping extend such concessions on these key areas. But in my country if you judge one month, three months after the new summit in Argentina's capital, you will find there have been no fundamental or lasting agreements.

Haenle: I want to finish our discussion by asking you one question that I've asked all the other scholars on this series. And it came of a conference that I attended in Washington, Brookings and Yale China Center. It was an all-day conference, but the last panel had a debate between American experts, and the question they asked is: "Are the U.S. and Chinese interests at this particular juncture in our relationship, are they fundamentally incompatible now?"

Shi: I think that this depends on your belief; this depends on your outlook. If you are a realist, or if you are — first, if you are liberal, and you will emphasize in spite of such a bad situation, the worst since 1972, still there are potential important common interests for the two countries. Still there is a great chance emphasize these potential common interests and to do reconstructive work. But the liberals put more emphasis on what should be and put less emphasis on what it is. And realists — of course not the extreme realists but the classical realists — they think that, "Oh, there must be hope, there must be efforts, to make the situation better," but the realities aren't there. History proved in the past ten years or twenty years, strategic rivalry, and economic rivalry, and other rivalry between China and United States has already become more comprehensive, more prominent, and more profound. And especially up to now, I don't think that the realists will see that, oh, up to now, the official policy in both Washington and Beijing shows a lot of hope to people that these problems, structural problems, historical trends, can be fixed.

Haenle: So there's a difference in camps between liberal thinkers who are more optimistic and focus on —

Shi: But of course, especially since two years ago when Donald Trump was elected as U.S. president, the elites in academia, liberals, have been very prominently reduced in their power.

Haenle: So the difference between liberal thinkers that are more optimistic, I think you can focus on common interests and build a constructive relationship. Realists as you say, focus on what is the situation, not what it should be, and focus more on history and structural impediments, and maybe have a more bleak outlook on the U.S.-China relationship.

Shi: I think that today, in the context of such a world situation and Sino-American relationship, it is very strange that someone still could hold a very optimistic outlook. On the other hand, if you are a prudent pessimist, you could've become more prudent, you were thinking more urgently to do work to save the bilateral relationship from danger. So you could do more and with more prudent, more visible, and more concrete measures. Then the situation could become better.

Haenle: So I'm going to put you, Professor Shi, in the camp of prudent pessimist. But one that

wants to work towards resolving some of these issues and find a better day.

Shi: Yeah, yeah. I think that if you realize the dangers and compare them with the past or present situation, you can do more with prudent and concrete measures. And then the situation could become better.

Haenle: That's a great note to end our discussion. I want to thank you very much for joining the China in the World podcast, but especially for joining this series where we're interviewing five of the top international relations scholars in China on the very important and consequential U.S.-China relationship. Thank you very much.

Shi Thank you, Paul. It's my pleasure and honor.