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**YASHENG HUANG:** Yeah, good afternoon. My name is Yasheng Huang. I'm a Professor of Global Economics and Management at Sloan School of Management. We are at the-- welcome to today's MIT Starr Forum, "Xi Jinping's Third Term, Challenges for the United States." And this is one of the only few in-person or hybrid Starr Forums since the pandemic. We are glad that you are here. We also have a webcast audience, and I'd like to acknowledge and thank them for attending this event, as well. And also, many Thanks to our co-sponsors, the MIT Center for International Studies and the MIT Security Studies Program.

I kind of hear an echo, but--

**SUSAN SHIRK:** Yeah.

**YASHENG HUANG:** Yeah.

**HUANG:**

**SUSAN SHIRK:** It sounds--

**YASHENG HUANG:** Maybe it's worth repeating, but not every sentence.

**HUANG:**

**ORVILLE SCHELL:** [INAUDIBLE]

**SCHELL:**

**YASHENG HUANG:** OK. So before we move to the proceeding, I'd like to invite Orville, who is a member of Asia Society. And Orville and Susan, Susan Shirk, are co-leading a task force on US-China relations and I'm going to invite over to say a little bit about the task force and about what the effort is aiming to do. Orville.

**ORVILLE SCHELL:** Well, thank you, Yasheng. These members are all on our task force on US-China policy, and you're going to hear actually today the latest section of a seven-year conversation we've been having on China. And since China is on everybody's mind, I think you'll find it interesting. We've been discussing amongst ourselves all day.

The task force is composed of some 20 members from universities, think tanks, industry, government. And these are some of the most interesting people on the subject, and I hope you'll enjoy it, a nice fusion between university and a civil society organization. So thanks, Yasheng.

**YASHENG HUANG:** Yeah. Thank you, Orville.

**HUANG:**

So let me introduce our speakers briefly. I'm going to moderate the session and first on the list is Susan Shirk. Susan is a research professor at UC San Diego and the Director of the China 21st Century there.

And then to my immediate left is Taylor Fravel. Taylor is a Professor of Political Science at MIT and the director of MIT's Security Studies Program.

And then we have Arthur Kroeber, who is the founding partner of GaveKal Economics, a consulting company based in New York City.

And then we have Jessica Chen Weiss, who is a Professor of Chinese Studies at Cornell University, who just stepped down from a position in the State Department. So that's the lineup of the speakers.

And first let me turn to Susan. And Susan, if you don't mind sharing with our audience your views of Chinese politics going forward, now we have-- now that the 20th Party Congress has ended, and what is your diagnosis of the political lineup, and what is your forecast of the political future going ahead, Susan?

**SUSAN SHIRK:** Well, thank you very much, Professor Huang. It's really a treat to be back at MIT. I'm an MIT PhD in Political Science, so proud of that and excited to be back here.

Well, I'm pretty gloomy about the prospect for Xi Jinping's third term, because Xi Jinping's highly centralized, personalistic, dictatorial system that he's put in place over the past decade is likely to function even more in a way that's even more prone to overreach in the next five years than in the previous 10 years.

This just happens to be the title of the new book that I published *Overreach, How China Derailed Its Peaceful Rise*. So let me just quickly say why the Xi Jinping centralized dictatorial system is prone to overreach. And of course, overreach means to take things too far, both in foreign policy in a more aggressive foreign policy, and a more repressive domestic policy in a way that actually is costly for China.

And how does the system operate? Xi Jinping came into office 10 years ago, making the case that because of the corruption under the collective leadership of Hu Jintao, there was a need for a more centralized authority, and to carry out a massive anti-corruption campaign. So he didn't seize power. He was really given a mandate to do that in order to preserve popular support for the Party, to clean up the Party.

But this anti-corruption campaign, which was massive and went after high level officials as well as lower level ones, was huge. According to the Party Discipline Commission's own statistics, up to five million officials have been investigated and disciplined.

So this was not just an anti-corruption campaign. It also was a purge, a purge of potential rivals to Xi Jinping, both real and imagined. And this campaign continues to this very day. And in fact, the latest round of targets that we saw right before the 20th Party Congress were the quite senior officials in the public security and discipline bureaucracies who themselves had been so trusted, once so trusted by Xi Jinping that they had been in charge of investigating the earlier targets. So in other words, the loyalists, people who were once viewed as very loyal, have now been put into jail for the rest of their lives.

So what is the consequence of this approach to governing? The consequence is that all the subordinate officials are under intense top down pressure to show their loyalty in order to survive, and they're in competition with one another, of course, to advance, to get promoted. But to prove their loyalty and to protect themselves from being investigated in the anti-corruption purge, what they do is they watch for an early hint of what direction Xi Jinping is going in, what are his policy preferences. Then they jump on the bandwagon behind these policies and they carry them out to a more extreme degree than maybe Xi Jinping even originally wanted.

So this kind of overcompliance, motivated by the competition among officials and their need to protect their own career security by demonstrating their loyalty, is what leads to overreach. This overreach is exacerbated by the fact that these subordinate officials are afraid to report up the chain the very real costs of these policies. So the information feedback loops are not working. And as a consequence, Chinese policy-- we can see in foreign policy and we'll be talking about foreign policy, defense policy, maybe a little bit about domestic surveillance and repression, of course, including Xinjiang and Beijing's takeover of Hong Kong. All of these policies-- and Zero COVID, the extreme Zero COVID policy-- according to my perspective, these are all examples of overreach, policies that are being driven by this high pressure, top down system that operates in China.

And now, in the third term, it's likely to be even more perverse in that way, because Xi Jinping, first of all, third term itself is an example of overreach. But also, he cleaned out other senior officials who might question his judgment. And instead, he is surrounded by loyalists in the standing committee. And to achieve that end, he had to eliminate the retirement age parameters that had made political competition in China more regularized and more predictable ever since Deng Xiaoping introduced them. And as a result, there he is in Zhongnanhai, surrounded by loyalists.

Now, the good news about such a highly centralized personalistic system is if Xi Jinping becomes aware of the costs of the policies he's been pursuing for the past 10 years, he has every authority to change them. He's not going to have to deal with a lot of challenges in that respect. But if he doesn't know or doesn't care, then we're in for a very difficult five years. Thank you.

**YASHENG  
HUANG:**

Thank you, Susan. On that sunny note, let's turn to another topic, economy. So Arthur, what is your view of the Chinese economy going forward, and specifically how the kind of centralized politics may affect Chinese economic performance down the road?

**ARTHUR  
KROEBER:**

Right. Well, thank you very much, and it's a real pleasure to be here in such distinguished company. So I want to briefly touch on three points. One is what are the implications for the economy, both short and long term, of the leadership changes that we've seen at the Party Congress and this increased centralization of decision making. Second, what do we know about the vision for economic development that Xi Jinping and his team have? And then third, what does this mean for the US and our policy?

So I think on the first point, the initial reaction of many outside analysts or people within China and in the markets to the Party Congress was pretty negative. And I think the underlying assumption there was that as Susan has suggested this greater centralization of authority could lead to kind of echo chamber and groupthink and a degradation of the policy process. I think that's definitely a risk in the longer term, but I think in the shorter term those concerns are probably overstated for a couple of reasons.

One is that there is a tremendous amount of inertia in the Chinese system. It's an enormous economy. There are many actors. There's still a very vibrant private sector, and there are plenty of government officials that have a pretty good sense of what it takes to do their jobs competently. And I think that there is potentially some upside in having a Politburo standing committee where there's no question about anyone's loyalty to Xi Jinping, in that he may be a little bit more comfortable giving some of these officials a little bit of leeway to do things in a more pragmatic manner, because he doesn't need to worry about them carving out a separate political agenda for themselves.

And I think we've actually already started to see this. The two major short term problems for the Chinese economy that are policy-induced are the Zero COVID policy, which has had a major negative impact on consumer spending, and the property crackdown, which has been in place for two years, and which has also had some significant negative impacts for industry and for consumer confidence. And we've already seen some indications, very concrete indications just in the last couple of weeks that the new leadership team is looking at a pathway towards a more calibrated COVID policy that would impose less economic costs. I think that's going to be very long road, but at least they're starting to move in that direction and they're being a little less inflexible than they've been for much of the past year.

And there's also been some indications that they're starting to adjust policy in the property sector from a really draconian squeeze in liquidity for property developers to a somewhat more supportive approach. And I think it's important to bear in mind that if these two policies are unwound over the course of the next year or so, there's potentially quite a lot of pent up demand within the Chinese economy, money that's been building up, essentially, in household bank accounts without any way to be spent. And this could lead to a fairly significant economic rebound in the second half of next year or early in 2024. So I actually think that in the short run there's certainly potentially a lot of capacity for things to recover. In the long run, though, I do share the concerns that you have an overcentralized decision making capacity and a greater likelihood that the government will cling to a particular policy direction even if evidence to the contrary or evidence that this is not productive begins to build up.

So that then leads to the second question, which is what is Xi Jinping's vision for the Chinese economy? Where does he want it to go? And I think the first observation I would make is that since the beginning of his rule 10 years ago, it's been very clear that he puts much less store in the GDP growth number as an indicator of success than any of his predecessors did. He's been much more concerned with governance objectives, reining in corruption, trying to create a more disciplined and well-regulated society. And he's also been very concerned about increasing China's standing in the world.

So economic development really is a lower priority for him, or economic growth, I would say, is a lower priority for him than it has been for previous leaders, but he can't completely ignore it because in order for the Communist Party to continue to have legitimacy as a good steward of the national system and society and for China to achieve his aspiration to become a great power on the global stage over the next 10 to 20 years, a considerable amount of economic development still needs to occur. And I think this needs to be borne in mind that while we've had a lot of attention paid to the direction under Xi Jinping of a more statist, more control-oriented government, the idea of economic development has not been abandoned. But I think there is maybe a narrower conception of what constitutes economic success that is very heavily tied to technological upgrading.

So I think what we can intuit is that Xi Jinping's vision of a successful economy is a giant machine that produces a lot of technology intensive goods that raise the overall technological level of the country and support various national or state objectives. And as long as that production machine is succeeding, then the economy is succeeding. And if you have somewhat weaker consumer spending or a certain loss of dynamism in resource allocation, that's OK. That is really not the indicator of economic success.

And so if you look at over the longer term, I think the concern about Chinese development would be that the development strategy is very, very heavy on industrial policy and on supporting these tech-intensive industries and not so strong on broader reforms to competition policy, the financial system, and the fiscal system that would promote broader productivity growth. And I think that is definitely a long range concern.

So as we look forward over the next decade or so and try to assess what is China going to grow into and what does this mean for the United States, I think you can posit a couple of different scenarios. One is-- the more favorable one would be that this industrial policy push is complemented by certain kinds of reforms in the overall economy that would boost productivity and lead to a better allocation of resources. And if you have-- and the reason that those adjustments would be made, hypothetically, is that the government realizes that they need something more than just industrial policy to achieve their overall strategic goals.

If you get a more diversified set of economic policies, you could imagine China continuing to grow by somewhere in the neighborhood of 4% or 4 and 1/2% a year over the next decade, which is a lot less than it's grown in the past, but it's also pretty comparable to the growth rate that Japan had in the 1980s. And so it is consistent with China continuing to grow quite substantially in global influence.

I think a more negative scenario is that they don't do enough of these productivity enhancing reforms, they just rely on the industrial policy. And then you're more likely to see growth settle down to more like a 2% to 3% zone for the next decade, which is still not terrible, but I think the outcome there would be that China would wind up as a relatively slow growth economy that nonetheless has significant large pockets of highly adept technology industries.

So I think looking at this from a perspective of the US, I think number one, we have to be prepared for China to continue growing to some degree pretty significantly over the next decade. It could be a little bit faster. It could be a little bit slower. But even on a slower growth trajectory, which is very possible, I think we have to be prepared for the possibility that China's technological capacities are going to increase quite substantially. And the incentives for international companies to participate in the China market will continue to be quite large because even on a lower overall GDP growth rate, there will still be individual sectors for various reasons that will grow at much, much faster rates, basically because when you have such a large base for the economy as you do now in China, it doesn't take much in terms of rises of consumer incomes or whatnot to generate much larger pools of demand on a sector by sector basis.

So I think the bottom line is there are clearly a lot of challenges. It is very likely that China will grow at a much, much slower rate than in the past, but it will continue the process of pretty impressive technological upgrading. And there will still be individual sectors that continue to be very attractive to international investors.

**YASHENG**

**HUANG:**

Thank you, Arthur. Let me turn to Taylor. So on the security side, foreign policy side what do you see? What are the indications from the Party Congress that would tell us something about China's approach toward Taiwan in the next, say, 5 to 10 years?

**M. TAYLOR**

**FRAVEL:**

Sure. Thanks so much, Yasheng, and it's great to be here with my colleagues from the task force.

So I wanted to focus on defense issues in the next five years coming out of the Party Congress and make four main points. And the first comes out of the actual work report that Xi Jinping read at the party Congress, and noting that it contains a quite dim view of China's external security environment, especially when compared with previous work reports. The international environment is described as, quote, "posing a series of immense risks and challenges."

There are other references to drastic changes in the international landscape, especially external attempts to blackmail, contain, blockade, and exert maximum pressure on China. Regional conflicts are described as becoming more frequent and acute. Global issues are described as also becoming more acute, and the world is, quote, "entering a new period of turbulence and change." And if that wasn't enough, another section of the work report states, external attempts to suppress and contain China may escalate at any time, and China must therefore be mindful of potential dangers, be prepared to deal with worst case scenarios.

This is quite a grim view of the broad international environment in which China is going to try to achieve some of the growth objectives that Arthur just described. I think the main implication is that it underscores the importance for China of continuing to develop military power, either for this use of military power, or perhaps more importantly in the coming five years, to backstop a diplomatic posture that's going to be much more rigid and I think inflexible than it has been before. One commentary by the outgoing Vice Chairman of the Central Military Commission, Xu Qiliang, put it this way, describing the importance of military power as, quote, "to stabilize the situation in peacetime and win a decisive victory in wartime."

My second point is if we look at military and defense issues, the Party Congress itself, amid this dim environment, signaled a lot of continuity with the approach that has taken shape over the last five years. And let me just quickly highlight three elements of this approach.

The first is that the Party Congress emphasized that China would continue with its current military strategy, which is one intended to win what are described as local and formatized wars, or wars around China's periphery, particularly over Taiwan. That would be characterized by military operations that are highly information intensive, from sort of sensor to shooter.

The second element here of continuity is a steadfast commitment to military modernization, to become a world class military by the middle of the century, which was a goal laid out at the previous Party Congress. And I think the third continuity is an increased willingness by China to wield its military power short of use of war or short of war, but in ways that are increasingly designed to bolster its diplomatic objectives.

And I would focus here, just as a few examples, we had the June 2020 clash between China and India on their contested border, in which roughly 20 Indians died and at least four Chinese died, the first time in roughly four decades you had had these kinds of casualties in that border dispute. But subsequent to that, it led to a very intense military standoff in which you had tanks literally maybe 100 meters apart for six months in other parts of the border and it took the subsequent 18 months simply to unwind that. But that was part of China's broader diplomacy in this territorial dispute.

We've seen growing activity in and around Taiwan, especially in its air defense identification zone, since 2021. And then, of course, in August of this past-- August of this year, 10 days of really unprecedented military exercises all around the island in six closure zones in which China conducted live fire exercises to include the launching of ballistic missiles from areas on mainland China that actually flew over the island to land in a target zone on the Eastern side. So China has this increasingly powerful tool in its military that it's willing to use and willing to do so to sort of advance its other diplomatic objectives. So in that sense, I see a lot of continuity coming out of the Party Congress, which means that China is going to be, of course, an increasingly difficult country to deal with in this space.

A third point I want to make is an emphasis coming out of the Party Congress on modernization goals in the next five years, and particularly the year 2027. Why does 2027 matter so much? Well, it will be the end of this Party Congress, but more importantly, it's the 100th anniversary of the PLA's founding in the early stages of the Chinese Civil War. So it's a very important anniversary for the military.

And I think this next five years has received a lot of attention in part because of this assessment that the security environment is going to grow increasingly difficult for China, but also because China really needs to make progress in these modernization benchmarks that it's set for itself. And I think it actually has described this as a crucial period for modernization.

Fourth point I want to make, though, is that there's no evidence on the other side that China has accelerated its military modernization goals, although they're impressive and what they've achieved to date has been impressive. Nor does it have some sort of a time frame or deadline for using force over Taiwan by 2027.

And this has become an increasingly frequent subject of conversation in Washington. Some analysts believe that the only thing holding China back from using military force against Taiwan is it's not quite ready, but it will be ready by 2027, and therefore we should expect major military action to occur. Others take a slightly different view, which is to say they just view a window closing for China around 2027, by which time some aspects that the US is pursuing to sort of maintain the balance in East Asia will come online and thus make it more difficult for China.

But as I read the work report and the commentaries that have come out for this, I don't see really 2027 playing this kind of a role that other analysts have ascribed to it. To start, 2027 is now described as the first step in a three step modernization strategy that focuses on it becoming basically modernized by 2035 and then world class by mid-century, as I mentioned before. And those two benchmarks, of 2035 and 2049, more or less, right, were put in place five years ago. And so in that sense, there's a lot of continuity. And in fact, Xu Qiliang, in this commentary that I referenced earlier, described these as the short term, medium term, and long term goals for strengthening the military in the new era.

The second thing I want to highlight here is if you read the commentaries closely, there's basically two ways you can read them. One is a sense that China's really achieved a lot in modernization of its armed forces. And I think that it has. But at the same time, they describe in great detail what they want to try to accomplish over the next five years, which I read as indicating areas that they're not really satisfied with and areas where they feel they don't yet have the capabilities they believe that they would want.

So a very important part of Xi Qiliang's commentary was to call for building a high level strategic deterrence and joint operation system, which I read as indicating they don't yet believe they have a high level strategic deterrence system. And more importantly, they don't yet have the kind of joint operation system that they would want to have in place if they were going to take major military action.

And here, just pause briefly to say about joint operations refers to the most complex kinds of military operations a state can undertake, where you're sort of combining elements of your ground forces, your air forces, your naval forces, your space forces, all to achieve some combined effect on the battlefield. It's a huge coordination problem, and it's very hard for most countries to solve this. And the US is quite good at joint operations now, but it took literally decades in order to achieve this.

And so the fact that Xu Qiliang in this commentary spends so much time talking about the need to improve the joint operations system, to me, is evidence that they don't believe yet that they have the kind of joint operation system you would need if you were going to undertake the most complex kind of military operation that you would have to take over Taiwan, right, which would be an amphibious assault of the island. And there are other elements here where one can see them pretty much stating quite clearly where they think their deficiencies are.

So taken together, I don't see an urgency coming out of the Party Congress on Taiwan, nor do I see a PLA that believes it has a deadline by which it needs to be ready. Of course, this is not to say-- this is important-- this is not to say that conflict won't occur over Taiwan for other reasons. I believe we're in a very dangerous period with respect to Taiwan. We have elections that will take place on the island in 2024. We have a quite rigid position from Beijing and we have a position in the United States that I think is undergoing a lot of flux, and depending upon how it changes, might be a factor that would contribute to at least increased instability with respect to Taiwan.

So I don't want to sort of dismiss that at all, except to say I don't come away from the work report seeing this as a priority issue that has received new emphasis. It's always been very important, but it's not become more important.

And the last point, I just want to riff off of something Susan said. So actually I have five points, not four. But I'm really worried about centralization in military decision making. And who is going to sort of be the general that stands up and says, you know what? We're really not quite ready. You know what, this could really go badly. You know what, if we do this, tens of thousands of people are going to die.

Now, I think the war in Ukraine has probably induced some caution into PLA decision making because China's been able to observe a military they actually highly regarded and thought was better than their own, the Russian military, actually completely fail with any kind of efficiency to conduct a much simpler form of military operations, namely the combined operations of ground forces. Just combining armor and infantry in particular has been really challenging for the Russians. So I think that will induce some caution.

And Xi Jinping can observe this so he can ask his generals, OK, are we going to have these same problems? But nevertheless, the centralization issues are as salient, I think, in the security and foreign policy side as they are in the political side more generally. Thanks.



**YASHENG**

Thank you, Arthur. Let me turn to Jessica. Jessica, you just stepped down from a position in the Planning Office in the State Department, so what is your view of the Biden Administration in terms of its approach toward China?

**HUANG:**

And feel free to criticize the administration, if you can, and what are the things they have done right, what other things they have done wrong? What is your proposal for the right mixture of policy going forward?

**JESSICA CHEN**

Great, thanks. Well, let me take a wider view and offer, I think, first some reasons to be pessimistic, but then perhaps to live in it with reasons for hope if not optimism, but some ideas for how we might navigate our way away from what I see as an avoidable oncoming collision between the United States and China, probably over Taiwan, and maybe conclude with some thoughts for US foreign policy and what we can do to get the balance right.

**WEISS:**

So first, I think, for some reasons for pessimism. As I've written in *Foreign Affairs*, I think that the United States and China have been in an escalating action/reaction spiral, which is increasingly leading leaders and politicians on both sides of the Pacific to define success in increasingly zero sum terms, really oriented around undermining and defeating the other's initiatives rather than driving toward some affirmative vision of success.

And that dynamic, I think, is making an incident or a crisis over Taiwan more likely. I think it is also putting enormous strain on the already eroded so-called rules-based international order. It is also continuing to drive China and Russia together. And last but not least, I think it is also having damaging second order effects on the dynamism of US democracy and our ability to remain a magnet for international talent investment and capital.

So those are some of my worries. That said, I more, I think, than many others see room for I don't know if hope is probably too strong, but I think it's really important that we avoid the fatalism that many commentators have adopted, that war is coming and what we have to do is mobilize.

And here's why I say that. First, I don't think that in the context of really acute domestic and economic challenges on both sides, in the United States and in China, it's not clear that time is necessarily on Beijing or Washington's side. And in that context, I think that both Beijing and Washington would benefit from a period-- I don't know how long, but a period of detente, where both sides take mutual reciprocal measures back from the brink to lower the temperature, make space for time, attention, and resources to a positive, some vision of where it is that we are going, and then certainly allow us to do our best to run faster in ways that aren't necessarily just defined in terms of thwarting the other.

And I think that the meeting in Bali was an important step toward beginning to put a floor under the relationship. The two sides acknowledge that the world expects these two countries to work together on common challenges. At least from the US readout we heard the repetition of Chinese opposition to the threat or nuclear use in Ukraine although the Chinese side didn't necessarily confirm it, but also didn't deny it. And you had an agreement for Secretary Blinken to visit China early in the new year and for these working groups to make specific progress on concrete issues.

Now, what exactly this then sets in motion, I think, is a really big question mark. But it is also an opportunity, and I don't think we should lose sight of that. I've said that in the context of the current deep distrust, no unilateral concessions, I think, are wise. And so I hope that the two sides will begin to look for ways to begin to, for example, in the Taiwan Strait find ways to mutually reduce the frequency of military operations, not least so that when the next thing happens there's a little bit of a buffer so that as tensions go back up, we will have started from a slightly more stable baseline.

So I think that that's certainly possible, even in the current environment, to find ways to indeed lower the temperature. But it will require both sides to be a little bit more pragmatic than we have seen. And I do-- I share very much Taylor's concern, not that there's some kind of imminent timetable for a PRC use of force across the Taiwan Strait, but that misguided, although sometimes well intentioned efforts, particularly by members of Congress to show support for Taiwan will actually have the effect of precipitating the increased coercion, if not an actual military operation that we are trying to avert.

And so I think there's still time here, that the policy framework that has worked can still be bolstered. And I was very pleased to be a part of an effort by the task force to bolster the credibility not only of the threats, but also the assurances that have stabilized and maintained peace and stability across the Taiwan Strait for decades now. And we should be very cognizant that changes, even though there may need for flexibility, that wholesale changes in US policy may very well provoke what they are trying to deter.

Ultimately, I think that US policy really ought to aim at what we want rather than what we fear. Facing down China is not a strategy. Where are we going? What do we want for the international order on terms that benefit our peoples and uphold our values?

There's been a lot of effort to work around China to shape the environment around China, as the Biden administration has said. But I don't think that if we don't also pair that, those efforts to build deterrence, build resilience with direct outreach to try to make clear that our actions are in fact conditional on Beijing's actions, that we will be able to shape Beijing, even from the outside.

And so ultimately, I would like to see articulated where is it that we are going? If, as Mike Green wrote in *Foreign Affairs*, our allies and partners haven't given up on shaping China on a productive, ultimately a productive relationship with China, we shouldn't, either, especially if we hope to build as broad and inclusive a coalition as possible. So thanks very much, and I'm looking forward to our conversation.

**YASHENG  
HUANG:**

Thank you, Jessica. Let's have one round of Q&A just among the speakers and the moderator. So Susan, I'd like to turn to you. You said that the advantage of having a centralized political system is the autocrat has more degree of freedom to change policy if he wants to do that, right? So that's true.

On the other hand, so there's a capacity of the change is big, but the willingness is almost always inversely correlated with the willingness to change, right? So that's kind of the dilemma. And the history of autocrats reversing themselves is a short one. But there are similar episodes from PRC history, for example, Mao's rapprochement with the United States in the 1970s.

Is there a similar moment there? But even there, Mao that because he was consistent on the Soviet Union, right? So that didn't change. It's just using the US almost tactically as a counterweight. Are there scenarios in which that Xi could sort of come around and improve US-China relations without having some sort of larger implications for his overall political profile?

**SUSAN SHIRK:** Yeah. The Chinese public used to be quite favorably inclined to the United States. And it's really only in the last few years, probably since 2018 or 19, that we see the growth of anti-Americanism in China. So I do think that Xi Jinping doesn't benefit domestically from a hostile stance toward the United States. And in fact, I was struck by his statement in Bali about what a statesman is. He said, a statesman takes care of his own country, but a statesman also has to do things that are welcomed by other countries and by the international community or the international order.

So I think that Xi Jinping would like to think of himself as a statesman. And he also still cares about China's reputation as a responsible power, which is something to build on for the United States. I don't think he sees himself as a spoiler the way Putin does, even though he kind of flirts with that perspective, but he hasn't completely committed to it at all. And you can see that in how he's kind of trying to hedge his position vis a vis Russia in Ukraine.

So I think I haven't given up on the prospect of Xi Jinping moderating his foreign policy and in particular his policy toward the United States, especially if the US can pursue diplomacy with China with a little bit of goodwill and reassurance and acknowledging some of the positive things that China does when it does them.

So following Jessica, I think there is potential, especially after the mid-term now, and after Bali, to see some positive diplomatic interactions that will help induce Xi to moderate his policies somewhat without-- not necessarily fundamentally changing his ambition or his position on sovereignty issues or things like that.

**YASHENG HUANG:** Thank you. So Arthur, the way that you describe Xi Jinping's approach is very interesting. So this is a person that is very-- values technology and science, but to some extent less keen on economic development, right? So usually, you think about a leader caring about economy and technologies to improve economic performance. And the fact is that under Xi Jinping, the Chinese productivity performance has been terrible, right, despite all the investments that have gone into technology.

When you don't reap much benefits from this massive investment in technology in economic terms, in economic-- in GDP growth, sooner or later you run out of the resources, right? So how sustainable is that combination going to be? It's just a lot of technology but not a lot of economic results to show for it.

**ARTHUR KROEBER:** Right. Well, that's precisely my concern is that you have this massive allocation of resources to these technology sectors, which may in some cases produce pretty successful sectors, right? So they'll produce a lot of electric vehicles. They may be able to become very competent in certain elements of the semiconductor supply chain, industrial automation, et cetera. So you'll have these pockets of quite sophisticated technological competence, but that might not translate into very much economic growth or welfare gains. So that's clearly the risk of the policy.

I make two sort of additional comments. One is a technical one, and we can duke this out later. I'm a little bit suspicious of the productivity estimates for China for technical reasons that we don't need to get into. But I think we might want to be a little bit more respectful of the possibility that at least for another decade you can have a significant amount of economic growth coming from capital inputs which embed productivity improvements that for various reasons aren't very well measured, right? We can debate that.

But I think the other point I would like to make, which is about another sort of contradiction in this program, is on the one hand, there's a lot of emphasis on technological self-sufficiency and self-reliance, largely for the security reasons that Taylor highlighted, that Xi Jinping sees the world as a very dangerous place and he sees the US as fundamentally hostile and determined to retard China's technological progress. And so it's really important for China to develop its own alternatives to technology that it imports from the US and its allies.

But at the same time, there's also a very strong commitment to interdependence, in the sense of increasing the amount of foreign capital that is coming in both by industrial companies and by portfolio investors, because that is seen as a critical component of the technological upgrading scheme, that there's a recognition that this cannot be done without a lot of participation by foreign actors. So another sort of interesting tension in the Chinese development model is that it is highly-- there's this strong emphasis on self-reliance, but an equally strong emphasis on bringing in foreign know how, capital, and technology as a path to that self-reliance. And there's kind of an interesting question of how do those two things fit together.

**YASHENG  
HUANG:**

So Taylor, if you look at this question from a sort of the national security issue from the experience point of view, right, so a country's capacity to fight a war, and to some extent it's a function of technology, but also it's a function of know how, if you think about this from almost like running an organization. China has not fought a war, and for better or worse, the US has been fighting a war continuously. And one of the Vice Chairman of the Military Affairs Commission was a commander during the clash with Vietnam in 1979. So that's almost like a pre-modern era in terms of technology.

Are there-- because sometimes we say personnel is policy-- are there other PLA commanders that we can identify who are more up to date about technology that we know for a fact they don't have war fighting experience, but whether or not we have more PLA commanders pretty high up, not just at a technical level, who are put into positions of responsibility at the 20th Party Congress, that gave us some indicator of where China is going to go in terms of its posture toward Taiwan?

**M. TAYLOR  
FRAVEL:**

Great question, Yasheng, and a lot to unpack there. So yes, China has not fought a war since its invasion of Vietnam in 1979. And that was short lived and very much disastrous from an operational and human perspective, and basically using 1950s era kind of technology and tactics. I mean, it was quite a poor showing from a purely military standpoint.

And I think there's only one person on the CMC now who has any military experience, which was serving in a reconnaissance platoon or company on subsequent border clashes in the 1980s. So basically, no active duty operational experience.

That said, China recognizes and the PLA recognizes it does not have significant operational experience with which to draw on, so it does a couple of different things. It very assiduously studies what foreign militaries do and foreign military experiences. So at the Academy of military sciences out in the fragrant hills in Beijing, there is an entire department that all it does all day is study the wars of other countries to see what lessons might be learned.

But more importantly, they've tried to put in place a series of personnel policies and a series of training policies that try as best as possible right to simulate actual war conditions. And so this is referred to variously as improving realistic training, improving live fire ammunition training, and is very much sort of recognized as sort of all, they can really do short of learning by practice, which they don't want to do, right?

The other element here is, or I guess two more elements. One is that they've focused, pretty intensively, on trying to raise the quality of personnel within the PLA, so recruiting more highly educated soldiers. That's been a real challenge because serving in the PLA is not a high status job in China. It's actually quite a low status job, especially with families with one child. You wouldn't, necessarily, want your one child to be in the PLA. You'd probably want them to be doing something else. And so this is a continuing challenge for the PLA.

And the other thing they've done is worked very hard to change how they command their forces. And this is getting a little bit into the nuts and bolts of military operations. But an organization in China, but the reforms that were put in place in 2016 transformed the old military regions, which were responsible for recruitment, and logistics, and everything within that territorial zone into theater commands, which are modeled on the US combatant commands. And the head of the theater command is now simply responsible for commanding the forces that happen to be in that area, which is a way of trying to make joint operations more possible in the absence of experience.

But that is still very challenging, in terms of, it's very hard to simulate the fog of war, and the stress of combat, and what happens once the flare goes up, and you go from training to fighting. It's always, I mean, it's not a joke, the phrase is right, no battle plan survives first contact with the enemy.

And I think for China, they spent so much time thinking about how future war is going to evolve. And they've tried to model it. And they've created training facilities that are meant to simulate sort of real, sort of blue and red kind of exercises, but at the same time, it's not sort of benefiting from the sort of experience that other modern militaries have.

**YASHENG  
HUANG:**

But there's kind of almost like a judgment call, right? So before Russia invaded Ukraine, they probably didn't know how weak they were, right? And it turned out to be totally different from their expectations. So my question is, is lack of this actual military not fighting, war fighting, know how and capabilities, that can deter you from going to a war because that you don't have the capability, or it can encourage you to go into the war because you are emboldened by that ignorance.

And so it's kind of, I don't know, it's almost like a dice, flipping a coin. And it's very, very worrisome. And I wouldn't trust generals who learn how to fight a war only in the classroom. And this is why I'm a professor.

**M. TAYLOR  
FRAVEL:**

Certainly, not just a professor. So the one thing I would say, first, China recognizes this. They call it, the translation is not great, they call it the peace disease. It's not quite the right implication because they're not trying to cure it by going to war, but nevertheless, there's a clear recognition that this is a problem, number one.

Number two, if you read the kinds of military documents I read, they talk extensively about the things they don't think that they're good at, which is a recognition part of what they've studied, and part a reflection of how they've studied other militaries, and what they need to be able to do to be able to be good at it.

And so that, to me, suggests that, in your coin flip, there's going to be more caution right than emboldeness. But of course, circumstances may come along where they feel like they don't have a choice. And they would go to war with the army that they have rather than the army that they want.

**YASHENG  
HUANG:**

So Jessica, I share your concern with the actions and the rhetoric of some of our Congress people. But on the other hand, I also think that the administration, rhetorically, may also encourage that. So Biden administration is framing the US-China relations as a battle between autocracy and democracy. And the members of the Congress, they are ideological.

And so shouldn't we pivot away from that ideological kind of perspective and to encourage people to think about this issue in more pragmatic terms? So this, Susan uses cause and benefit. Shouldn't we apply more that perspective rather than this ideological perspective?

**JESSICA CHEN  
WEISS:**

Thanks, Yasheng. I very much agree that the framing of world politics as a struggle between autocracy and democracy is unproductive, if not, counterproductive for a couple of reasons. One, it draws lines and makes it harder to build the kind of inclusive coalitions to tackle shared problems and makes it harder to work with non-democratic governments, even in improving their own domestic governance.

Secondly, I think it pushes autocracies closer together. And I think the Summit for Democracy probably, and other actions, probably played a role in the lead up to the February 4 joint statement between Xi and Putin. And I worry that we are on a trajectory of increased, if you will, ideological competition, which will not make democracy safer in America.

And so early in the Cold War, JFK called for us to envision a world safe for diversity. And so what does that look like? I think a world safe for democracy, for better or for worse, may also have to involve a world that is, to some extent, safer autocracy. I do think the Biden administration has qualified this autocracy versus democracy language, to some extent, and I think has offered an important assurance that the United States does not seek to transform China.

And that's quite an important distinction from the tone and language used by the outgoing Trump administration, particularly the speeches by the Pompeo State Department. So I think there is a shift, but I would like to see us do even more to de-emphasize that kind of a framing if we are going to really navigate the tough reality of having to deal with an authoritarian rival.

**YASHENG  
HUANG:**

Well, hopefully, our task force can provide a more productive framing. So now we go to the audience. We have two microphones. And I asked you to ask questions. If you want to direct your question to a particular speaker, please let us know. And we alternate between the in-person question and the online question.

Michelle, how do I-- OK, so I go. So as you are thinking of question, let me just go and ask a question from the Zoom. OK, so the first question probably goes to Arthur. How healthy is Chinese economic growth under Xi Jinping? The person then asks how fast, how healthy?

**ARTHUR  
KROEBER:**

Yeah, that's a good question. And I think, actually, if Xi Jinping were in the room, he would appreciate the framing of that question. So I think there are healthy and unhealthy aspects to it. I think one thing that should be stressed is that a number of the policies that have been undertaken over the last several years, that have been very negative for economic growth, are actually efforts to make economic growth more healthy.

So for example, in late 2016, they started a massive crackdown on shadow finance, non-bank financial instruments and activities, which had really exploded over the previous several years and created a lot of new debt and a lot of systemic financial risk. And the view was that this was actually very dangerous for the long-term health of the Chinese economy. And there was also just a general view that the overall level of debt had risen too high.

And it was a pretty effective campaign, which slowed down the rate of growth in debt quite dramatically, got rid of a lot of the systemic financial risk. Those were good. It also had the negative side effect of choking off a lot of the channels of finance that smaller private companies relied on. So it created some consequences that I do not think were really intended but were problematic.

Similarly, the crackdown that we've seen on the property sector over the last two years, where the government basically stepped in and told the banks to stop lending so much money to property developers, which has led to a downward spiral of property construction and in sales, again, was based on the view that in the long run, China's urbanization trajectory is slowing. It doesn't make sense to keep building more and more houses every year. They had to get it under control. And they had to reduce debt and risk in the system.

And this also has had quite negative consequences for short-term economic growth. So there are certain things that the government has been doing that have led to, contributed to, the current slowdown in growth that they would view, and I think could reasonably be described as, efforts to improve the health of the economy. So that's on the plus side.

On the negative side, as we were discussing before, I think if you look at the overall macro policies, they focus too much on industrial policy and creating new targets for investment and not enough on market-oriented reforms that would improve the allocation of resources.

And I think the biggest risk is that despite these efforts to contain undue sources of leverage, that they still are not doing enough to make resource allocation as efficient as it could be. And that could undermine the long-term health of the economy.

**YASHENG**

Are there questions from the room? Yes, there's a microphone there. There's a microphone on both sides of the aisle. Yeah,

**HUANG:**

**AUDIENCE:**

Thank you. So my question would be regarding the Chinese economy and its growth. So over the past few years, we've seen like explosive growth of the Chinese economy. And as far as I'm aware, that's had a very bad effect on their foreign currency reserves because China has a lot of foreign currency reserves.

And this decreases it significantly. So you mentioned that in the next few years, around 4 1/2% of annual growth for the Chinese GDP is expected, sorry. And my question is, would that significantly decrease the foreign currency reserves of China or would it remain stagnant?

**ARTHUR**

**KROEBER:**

No, the foreign currency reserves are not really a function of economic growth, per se. They're really a function of how strong the export economy is, and the structure of capital flows, and also, how the exchange rate is managed. And they've actually, I think, been pretty careful over the last several years to manage all those things in a way that keeps the foreign exchange reserves relatively stable.

I don't expect that to change, particularly under any growth scenario, either a higher one or a lower one. I think maybe one thing that is relevant is that they have-- they've invested a lot of their excess savings in what's called, belt and road projects, international infrastructure promotion. And they've spent that a little bit freely and recklessly. And I think one thing that is already in train, and we're likely to see continue, is less active investment in these kinds of international investment projects, much more selectivity. And so much more careful use of the foreign assets that they have.

**YASHENG HUANG:** So I think that's absolutely right. It's not so much the growth, per se, but it's how you grow, whether it's export-driven. But one development has been the declining savings rate, so by five percentage points of the GDP, that tends to reduce the foreign exchange reserves. So that could be-- has an impact on foreign exchange reserves. OK so there's a question over there.

**AUDIENCE:** Can you hear me?

**YASHENG HUANG:** Yeah.

**AUDIENCE:** So thank you very much for your great perspectives. I think it's been very informative to hear on these larger issues, the trend of the economy, of the military spending, whatnot. But I'm curious if more of a citizens view. So to give an analogy, there's a lot of thought now as global warming overtakes the world, of which career paths could help that the most, could create the biggest impact, and are also the most resilient to climate change.

But then a person, I feel like China-American relationship is also a great force that's impacting the world. But it's much harder for me to think about what can a individual citizen do to, as Professor Weiss said, planning for the future that we want, not the future that we fear. So I'm just curious if you guys have any thoughts on the individual citizen level responsibility and ability to work around the larger China-America relationship.

**SUSAN SHIRK:** So the question is about what can an ordinary American citizen do?

**YASHENG HUANG:** I think that's the question.

**SUSAN SHIRK:** Well, people to people relations, which is the way we talk about it in the China field, which is educational contacts and exchanges, it's business, it's everything that isn't government, basically, and extremely important. And I think that they have been shut off because of COVID. When we go back to write the history of this period, we'll see all the many ways in which this pandemic has changed the course of history.

And I'm convinced that it's really aggravated the distancing of US and China, for sure. So it makes it more difficult to sustain the social ties that are very important. At the China data lab of 21st Century China Center at UCSD, one of our faculty did a wonderful little survey question in which she questioned Chinese and Americans about how they felt toward the other side, and included, in one case, she included information about a person, a Chinese person, who likes chocolate ice cream, and compared it to a question, which didn't have just even that little personal detail. And it had a very strong effect on positive, negative views, just knowing something about people on the other side.



So to me, that's really very striking. And that if we don't have that kind of interaction, it's really very dangerous. But I'll just conclude by saying that even at MIT, there are students from China, and there are students from other countries, and American students. And even in your daily life, you can make a difference and try to prevent this relationship from becoming impossibly hostile simply by friendliness toward one another.

And unfortunately, what we see on campuses, sometimes, is that people, because of language and just the ease of being together, kind of separate. And so I think it would be a good thing for Chinese and American students to spend more time together and talk about the problems that we face between our two countries.

**YASHENG**  
**HUANG:**

OK. I think the lesson from that is eat more chocolate ice cream.

[LAUGHTER]

So there's a question, though, ask Taylor to answer that question. There's a question about can US win wars on two fronts, Ukraine and Taiwan? Let me simplify the question. Can you as win a war just on Taiwan?

**M. TAYLOR**  
**FRAVEL:**

I don't think anyone wins a war over Taiwan, if it's actually fought.

**YASHENG**  
**HUANG:**

But don't almost all the kind of war game exercises show that China will win, right?

**M. TAYLOR**  
**FRAVEL:**

Yeah, but those war games are all juiced with assumptions for the US to lose so that you can argue for a change in strategy. You can't believe anything you read about a war game in the news because you don't know what assumptions were used to set up the game. If you had all the assumptions in the game, and you knew sort of what was being stressed, but usually war game, so-- I know Graham Allison, who some of us will talk with tomorrow, loves to talk about all of this. And I have some pretty strong views on that from my colleagues who actually do war gaming.

I think though the war gaming that my colleagues at the Security Studies Program are doing show that even if the US, quote, could win under some circumstances by rolling back a Chinese attack, it would be the economic, military, and human devastation would be something that's very hard to imagine, which is why, from a broader sense, it's not clear who would win in those circumstances.

And of course, any conflict between the United States and China would be under the shadow of nuclear weapons. And one of the elements about Taiwan that we don't talk enough about is that this would be something that even, perhaps, makes the current Russia-Ukraine situation sort of pale in comparison because it has an inherent sort of nuclear escalatory risk for a whole variety of reasons I won't go into, for the sake of our sanity.

But nevertheless, this is a pretty scary situation. So there are some scenarios in which, depending on how it unfolds, the US could help Taiwan defend itself. And in that sense, win. I don't think China would lose, though, in another sense, which is it would not drop its claims. It would really, it may lose a battle, but not the war. And there are other scenarios where China prevails over Taiwan. But again, I think in all those scenarios, what is a common thread is the destructiveness of the fighting on the island, itself.

**YASHENG** A question there.

**HUANG:**

**AUDIENCE:** Thank you very much for the talk. A common theme was this echo chamber and how dangerous it can be for the person on the top. And now I'm wondering, the US was the country on the top for quite a while. And now maybe China is coming as a second, or is already there, as a second country. So could this also be good for the US to not be alone on the top, but to have someone else, so to say, as an opportunity?

**YASHENG** Jessica?

**HUANG:**

**SUSAN SHIRK:** Primacy. Talk about primacy?

**YASHENG** Kind of Graham Allison thing, right? So challenging to power.

**HUANG:**

**ARTHUR** Can there be two tigers on one mountaintop and they both be happy? I think that's the question.

**KROEBER:**

**JESSICA CHEN** Yes.

**WEISS:**

**SUSAN SHIRK:** Good, well put.

**JESSICA CHEN** So certainly, there are structural reasons, I think, for the growing tensions that have to do with this power transition. But I think that over underestimates the agency that we have to navigate these structural trends. There's a question. And I do think there is a big question around whether the United States should put maintaining global primacy at the top of, and the be all and end all of US strategy, as an objective.

**WEISS:**

Others suggest that the world is becoming more multi-polar. The margin of us preeminence is diminishing, and that we ought to adjust to that reality. I think that's a live question as to what is the future that we seek? And are the costs of trying to maintain that primacy, or reestablish it, is it worth the benefits? I don't think that's been resolved, but I think that may be part of the conversation that is sort of behind this sort of orientation toward preventing China from having any possibility of challenging that.

**AUDIENCE:** Thank you.

**YASHENG** Over there, question?

**HUANG:**

**AUDIENCE:** Hello. I was going to ask a question about, so there are increasing joint relations throughout the Pacific. Of course, there's like AUKUS, or Australia, and the UK, and the US's alliance, and then you have, more recently, Japan and the UK. And these are kind of resemblance of the Cold War philosophy of containment or having NATO there and having sort of a wall, of sorts, to prevent China from expanding or exercising much power in the Pacific. Are these pacts simply increasing tensions between the US and China? Are these harming or benefiting us? And how do you believe China will address these going forward? Because it appears to be, at least in my eyes, a very temporary solution.

**SUSAN SHIRK:** Balancing coalitions. Well, I think it's a reaction to China's overreach in the South China Sea, the military pressure on Japan and the East China Sea, which has been ramped up, the pressure on Taiwan, the economic coercion of Australia, in large part because Australia called for an international scientific investigation of the origins of the COVID pandemic.

Just a few years ago, China's relations with its neighbors were pretty good. It's the largest trading partner of most of these countries. And it had quite a restrained foreign policy to try to reassure its neighbors that it wasn't a threat, even as it grew more powerful because its intentions were friendly, were benign.

But that changed about 15 years ago, actually, before Xi Jinping. And you started seeing this more assertive policy that provoked different, new perceptions of a China threat from other countries in Asia. And so they have been eager to work with the United States in what, I would call, not necessarily containment, but at least military balancing coalitions against China. And that's costly to China, obviously. It's not a good thing for China. So it's a kind of feedback on China's overreach that China, itself, has the power to, if it moderated its policies, to reduce that kind of backlash and balancing coalitions.

But right now, the United States is, and this isn't because the United States is twisting the arms of these countries. They're interested in joining with us in these coalitions because they see China as more dangerous and more threatening.

**AUDIENCE:** Thank you.

**YASHENG** There's a question here?

**HUANG:**

**AUDIENCE:** Thank you so much for sharing. I am a student from China and my question is about a future of academic cooperation between China and the USA because recently, the environment of academic cooperation is not as good as what it was recently. For example, in MIT, the head of Mechanical Engineering Department, Professor Chin Gao, was arrested two years ago and just released earlier this month because he is innocent.

And many of my friends is having trouble to get a visa to study here, although their subjects or research areas has nothing to do with military. So my question is, in the next three to five years, what will the-- will this environment get worse or be improved, especially for undergraduate student who is applying for graduate school? Thank you.

**YASHENG** So we're running out of time. Can I ask the people over there, also ask their questions and we answer the questions collectively? Yes.

**AUDIENCE:** Yeah, just quickly Thanks to the last question, here, for expanding the discussion to a bit of a more multilateral angle. I wanted to ask Professor Fravel, Fravel, excuse me, to expand specifically on Ji's reaction to the growing sense of threat that was reported in the work report? Is there any sort of internal Chinese plan to expand their own multilateral participation to counterbalance?

**YASHENG** OK, last question. Yeah.

**HUANG:**

**AUDIENCE:** So I know we talked about taking more of a collaborative approach with China, but specifically on the topic of China's relation to Taiwan and Hong Kong, what do you foresee the US position on that topic would be or should be?

**YASHENG HUANG:** Yeah, can I ask four of you to give quick answers to whatever questions that you choose to answer. So Jessica, maybe we could start with Jessica.

**SUSAN SHIRK:** Start with Jessica.

**JESSICA CHEN WEISS:** Great, thanks. Well, also the US position has long been, on this final question I think, that the maintenance of peace and stability is in the US interest, but that it has also been the case that the United States would accept any outcome if peacefully reached between the two sides. And so the emphasis, I think, really has been recently in response to Beijing's growing coercion to try to push that back and to bolster Taiwan's resilience to that coercion.

That's not, strictly speaking, a cooperative policy, but nonetheless, it is premised on the idea that the United States needs to balance these competing objectives to maintain that peace and stability, which I think has served us well and hope it will be maintained, despite the many calls for change.

**SUSAN SHIRK:** On academic cooperation, our task force spent a lot of time today talking about that issue because we're very concerned about it. And if you ask me, personally, projecting the next five years, I'd say that the US-China relations could get worse. They definitely could get worse. But on the more hopeful side, I think there, in the United States anyway, there's a growing appreciation that we need to beware of discouraging talented Chinese students from coming to the US to study.

And the types of the China Initiative has been eliminated by the Department of Justice. And it's our understanding that the Biden administration is doing quite a lot to try to rectify the mistakes of the past and to have a policy which is less, doesn't alienate scientists and students from China because there is a very strong recognition that it's so, so valuable and important for America's own future, its own competitiveness.

So I'm actually fairly optimistic that we're going to fix our policy on that and make it better, even as the broader US-China relationship may deteriorate.

**ARTHUR KROEBER:** So I'll just make a quick response to the question about what policies China is taking in response to this more threatening security environment that was identified in the work report. And I think, clearly, this is behind the efforts to increase the self sufficiency of the country on a number of dimensions, but particularly in technology. But also, as I suggested before, it is behind this desire to achieve that self sufficiency, in part, by increasing the flows of international investment into China.

And there's a very practical, political reason for that, which is that the more foreign companies have a stake in China, a little, physical stake in China and its growth, the more likely they are to be advocates of moderation on security policies formulated in the US or Brussels.

So there's clearly, I think, both an effort to sort of hunker down, build up China's own capacities, but also to try and use the participation of international companies in China as a kind of leverage to moderate some of the perceived hostility that's coming towards China from the West.

**M. TAYLOR**  
**FRAVEL:**

Just to build on the last question quite briefly, I think on the diplomatic front, you will see some of the following courses of action. First, an effort to drive-- an effort, again, to drive a wedge between Europe and the United States. So the German Chancellor visiting Beijing, I think, is not a coincidence. I don't think it will be that successful, but China's going to try.

More generally, I think you'll see China deepening its engagement with the developing world through a variety of different, what I call, by multilateral formats it set up, so the China, Africa forum on cooperation, for example, or the Gulf Cooperation Council, and so forth. These are areas where, are all groupings, in essence, where China can engage different regions or different groups of states, but without the United States being present in a way that it can try to shape its relations with these regions or these different groups of states as a way of advancing its own interest.

We'll see the deepening of the Shanghai Cooperation Organization, the deepening of KICA. And I won't read the acronym out for you, but it's a long one, having to do with confidence building measures in Asia more broadly defined. So you're going to see China moving into these other spaces, where I think it believes it can find some sort of diplomatic counterbalance to the United States, in particular, so that, then, it has sort of more sources of support when it might need them in the future.

**YASHENG**  
**HUANG:**

Thank you. So let me end by saying that the US has underinvested, I think this is a consensus view, underinvested in science and technology. But US has also underinvested in social science about China. And we need to understand the country more, even though it is getting difficult to do research on the country because of travel, because of the tensions between the two countries.

So I would advertise courses for Taylor and my own courses, if you want to sign up in the spring semester. Let me end by also thanking the MIT Center for International Studies and National Security Program, MIT National Security Program. And also on December 9, there's going to be another Starr Forum on how Russia is using energy as a weapon against Europe. And we hope to see you there. Thank you very much.

[APPLAUSE]