THE BROOKINGS INSTITUTION
BROOKINGS CAFETERIA: Global China's plan for overseas military bases
Friday, October 4, 2019

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(Music)

FORD: Hi, I'm Lindsay Ford, this is the Brookings Cafeteria podcast about ideas and the experts who have them. Today is day five of our global China takeover of the Cafeteria podcast. I am so pleased to close out a week of great conversations with the two fantastic ladies who are joining me today, Mara Karlin and Leah Dreyfuss.

We are also in this episode going to have a new installment of Wessel's economic update from Hutchins Center Director David Wessel. So, my two guests with me here today Mara Karlin, Leah Dreyfuss.

Mara is the Director of Strategic Studies and an associate professor at John Hopkins School of Advanced International Studies. She's also a non-resident senior fellow here at Brookings.

Leah is the Associate Director of the Security and Strategy team here in the foreign policy program. So, ladies, welcome.

KARLIN: Thanks for having us.

DREYFUSS: Thanks so much.

FORD: We're going to talk today about a paper that you guys co-authored for the Global China Project that takes a look at how China is expanding its overseas military presence and I have to confess that I'm really happy we saved this one for last because with apologies to all of the other authors we've talked to this week, you guys get the award for best title. So, Leah, can you share it with us and there were some back-up ones that are awesome too.

DREYFUSS: Sure, well we had a little bit of fun with this title, as a child of the 90's and I know Mara was a big fan of music then too, we had to pay homage to the 90's band

Ace of Base and so our title is actually all that she as in President Chi wants China attempts to ace bases overseas. Now, we had a few options in the running, originally proposed as jokes but then we agreed why are they jokes, they're just perfect. Another option was Ace of Base, China's foray into international military presence, another was I saw the sign, how the U.S. should think about China's approach to acing bases.

FORD: I loved that one.

DREYFUSS: And then a little bit more of a modern option, we thought maybe Megan Trainor but then we decided not, Mara is a big fan of hers and suggested all about that base. That's a comparison of U.S. and Chinese strategies exactly.

KARLIN: My hipness is only tied to my children. I usually don't know most music after 1993. So, if it wasn't in pitch perfect, I probably don't know it.

DREYFUSS: Yeah, there's been some pretty terrible discussion before everybody joined about mothers of small children, crying in movies that no one should probably ever cry in.

KARLIN: We're talking about friends obviously not ourselves.

FORD: Okay, so in all seriousness though, I was really glad that you guys did this paper because there have been a lot of news stories lately popping up in the last couple of years speculating about Chinese bases in various locations and where they might be and to me sometimes I think the discussion lacks a little bit of grounding in more rigorous analysis about why China is pursuing overseas facilities, where that might fit in their broader military strategy, what role those kinds of facilities will serve and how that might be different from the US. You guys do a great job of getting into some of those issues in your paper. So, Mara, I want to actually start by stepping back and let you set the stage a bit

with kind of a broad and simple question which is basically why do countries want to have overseas military bases in the first place. For the US, who has more overseas military facilities than anybody else. What purpose have they served for us? Some people are asking this question overall these days and what about for China, it hasn't wanted military bases for a long time. It's changing that strategy now. So, why?

KARLIN: Absolutely, it's a great question Lindsey and it's actually how we started this paper. Was we started first brainstorming, well, we're all baselining from the United States.

FORD: Baselining?

DREYFUSS: Is that your other title?

KARLIN: It wasn't, I'll say that was deliberate, obviously and since I'm endlessly witty, actually far from it. But so, the baseline for so many of us is the U.S. approach to overseas basing and we wanted to be a bit careful with mirror imaging which I think kind of naturally happens.

So, the U.S. military as you alluded to, has this intricate system of forces, footprints, and agreements and it is a pretty deep historical one. It started about 100 years after the United States becomes a country and it really takes hold, thanks to World War II and then throughout the Cold War. And the idea is you want to fight away games and the way they fight away games especially when you're bordered by Canada, Mexico, two countries with whom the U.S. generally has pretty decent relations and two oceans, is you have to go there, you want to make it very difficult to have to fight wars on your own soil. So, the U.S. establishes this extremely substantial global posture. You get to a point where today there are literally hundreds and hundreds of bases in nearly 100 different countries

around the world. It is utterly unparalleled and it is key to how the U.S. military thinks about fighting wars, that it's going to fight these away games, far from the U.S. homeland. So, global posture is key to that. It leads to deeper relationships with various countries and an ability hopefully, to not just operate between and among them in periods of peace time but also should conflict strike. This is getting particularly interestingly vis a vie Asia where the U.S. has had a long and heavy posture but it has been growing particularly since 2012 when the Pentagon came out with the strategy that said effectively the future is all about the Asia Pacific and so it started deepening and enhancing the geometry of that posture putting new platforms in, establishing new places where you could put troops in and doing all that the U.S. could to ensure that should a possible conflict erupt it was postured and ready for that to happen.

FORD: So, that's the U.S. perspective fight the away game rather than at home, your paper suggests that maybe China is thinking about overseas basing differently. So, Leah, talk to me about that.

DREYFUSS: Sure, so historically China has basically avoided the overseas basing question entirely and this is largely due to some core Chinese principles of foreign policy. One of them in particular is the not -- principle of non-interference for just one of the five principles of peaceful co-existence in Chinese foreign policy and basically what that states is pretty simple, it's non-interference. China doesn't want to interfere in the affairs of other countries, it's very internally focused. And so, historically, it's prevented China from pursuing overseas bases putting its forces on foreign territories. However, in the past two or so decades we've seen conversations in academic and military circles in China changing. Saying that as China has accumulated more wealth, expended its economy, its population

has grown immensely, it's taking a greater role in international affairs. People have said, you know what, we need to rethink this, we might actually be hindering ourselves. This has been certainly on the academic front, you have had professors at prestigious universities in China making these arguments but you even had internal military discussions but also military officials speaking publicly saying that China needs overseas bases to safeguard its commercial interests in world peace and if China wants to affectively show their international responsibilities and develop a good image. So, presumably, China has started to reconsider what is the role for overseas bases as China grows and its military grows as well.

FORD: So, you guys say in the paper that thus far, China has taken a fairly cautious approach to how it's pursuing an overseas military presence and part of this being trying not to provoke or alarm other countries in the neighborhood and other major powers but China's strategy is evolving. I mean at one point, it said we don't want and can't see a role for these types of facilities at all, it's changed its mind. So, could you see this evolving further? Could you see China embracing a much more aggressive pursuit of overseas military facilities and what might lead it toward that kind of a strategy, Mara, I guess, particularly for you here to as a U.S. defense expert, what would be the sort of metrics that would concern you in a different overseas basing approach?

KARLIN: Absolutely. So, I think you're spot on Lindsey, that China may grow hungry as it eats and we have to recognize that.

FORD: Yeah.

KARLIN: It's not just that. At this stage perhaps these bases have one purpose and that that is static. It is inevitably dynamic frankly just as it was for the United States.

FORD: For the U.S. too. Our approach to overseas basing changed dramatically. I think we'd be silly to think that China's won't.

KARLIN: Absolutely, and we also do want to have a little bit of a crass view of U.S. basing because it can be too easy for us to just see it as altruistic. I do think elements of it can be altruistic, and in many ways, it has helped foment the longest period of peace in world history particularly in places like Europe and Asia. I don't think you can disentangle that from the robust U.S. military presence, but there's also a selfish aspect here and it is okay for us to acknowledge that selfish aspect. At the end of the day, these bases enable the U.S. to more easily go to war in conflicts that it thinks it may need to go to. And that could be the case with China as well. So, you're asking this question about metrics, when and in what certain circumstances might we start to think that the Chinese approach is shifting. One metric that it would particularly resonate with me would be the level of the military presence that we see here. The level of the Chinese military presence. You know, there's a bunch of different approaches to basing. You know, you can have this kind of stereotypical example, let's just take us, the stereotypical example of a very heavy base that is manned and operated and effectively almost wholly owned by that country, you can also have a warm base which is effectively an agreement between two countries where one will say, hey, we're going to maintain it and if you need to come on in when things are going on, let U.S. know. These obviously have different costs and opportunity costs, they have different levels of moral hazard, you know, for an example, when you have say, a heavy U.S. military presence in Bahrain it's really hard to then disengage yourself from pretty bad behavior by the Bahrain government against its citizens, without thinking, you know, they probably think that the U.S. military presence plays a role in precluding any sort

of response.

So metrics I would think about: to what extent do we see the Chinese military increasingly running bases, increasingly providing for security for these bases. To what extent do we start to see new and different types of exercises with new and different types of partners, China doesn't have a whole lot in the way of allies which is an important point for Washington and a reminder of our comparative advantage but to what extent do you start to see exercises that in particular may be taking advantage of the bases and the access that they provide.

DREYFUSS: If I might add on, one thing that I think is also really important is how China refers to its bases and what capabilities we actually see our present at their bases versus what they claim is present. So, the first base that China opened in 2017 is in Djibouti in the heart of Africa. And so, for years and years and years, as they were building it up, they said no, we have no plans, we're still not pursuing overseas bases and then they opened a base and it was nothing but a base where everyone knew frankly what it was. So, they still continued to refer to it as a logistics facility, which would imply that they're trying to support their forces that are in largely humanitarian and disaster relief efforts as well as counter-piracy efforts around the horn of Africa but some of the infrastructure that satellite imagery shows U.S. has been built on the base implies that it's not just a logistics facility. So, there's also an element of what are they saying versus what are we actually seeing as well.

FORD: Yeah, that's a great point and maybe you guys can also just break down here, and Mara you get at this too, there's different flavors of what a base looks like. Not all bases are made the same. There's a lot of variety. The U.S. has big ones for operating bases

we have small ones. So, break down for me some of the differences here and like where you would put which, China has in Jabuti right now in comparison to sort of different kinds of U.S. bases.

KARLIN: Absolutely, so what I would look at in particular is the size of the base and who's running the base in a practical matter. So, forwarding operating bases, you see this in particular in places like Japan, for example, the U.S. has a very heavy military posture across Japan. Those bases, to be frank if you walk on any of them, you feel like you're in little America. Another great example would be, if you go to any of the U.S. bases in Germany. So, those are, I think, the most kind of pure definition that many of U.S. have of bases. You also will have different geometries like collective security locations where perhaps it is more run by the country and the U.S. is going in and out, you'll have others where a country actually has its own base and the U.S. is granted permission to come in under certain circumstances when certain things occur. I should just make a pitch for more reading material, Stacy Pettyjohn over at Rand has done some of the best work that exists on...

DREYFUSS: Yeah.

KARLIN: ...overseas bases. And she comes out with this, I think, a little bit discomfiting conclusion which is looking at basing and conflicts post-1945, I think, she effectively finds that there is not necessarily a relationship between having a military presence in a country and that country letting you use it as a base when conflict erupts, which I found sort of turns apart some of our assumptions about what does that mean and should call into question where our nervousness is as we think about the progress the Chinese are making which is progress to be sure as Leah notes but it's a totally different

flavor than what we're used to in some ways.

DREYFUSS: Right, and Mara talked earlier about why the U.S. over a century and a half built up its bases and its global network grew and grew and as she said, some of it was altruistic but some of it was to the United States' benefit absolutely. But there were elements of maintaining the peace. The U.S. needed to have a presence abroad to keep others from going at it.

What we're seeing with China these days is it's not really altruistic at all, although they try and claim that it is. I think the biggest thing that we took away from this was that China was going to explore this idea of overseas basing in an effort to protect its investments, both financial and human, abroad. So, you see that in Djibouti in the sense that the Belt and Road initiative is a huge effort that is basically encompassing all of China's power as a state and Djibouti is a perfect access point to protect the over 34 billion dollars that China's invested on the continent as well as the 260,000 Chinese citizens that are working on this project.

You also see in Sri Lanka China loaned over a billion dollars to the Sri Lankan government and ultimately Sri Lanka found that it couldn't actually finance the debts and handle them and so in exchange for the debt relief Sri Lanka handed over a controlling stake in its Hambantota Port with a 99 year lease on the port as well as 15,000 acres of the surrounding land which doesn't have much of a purpose, experts in the region tell us. There isn't a huge commercial purpose, there's not really tourism there but China's claiming it's to build up tourism in Sri Lanka.

I think we all can understand that China is looking to cover its actions with some internationally palatable and justifiable reasons but it's really out to build and look for

opportunities for its economy abroad.

KARLIN: Absolutely, and I could just add to that really important point, don't underestimate the slippery slope. Uou know, examples that sort of come to mind here, are when we look at the U.S. announcing it's going to send a couple of thousand Marines to Darwin and not long after as you no doubt remember really well Lindsey, there is a Chinese purchase of Darwin Port. We see this with Israel, arguably the U.S.'s closest partner in the middle east where the Chinese state own enterprises purchasing pieces of the Haifa Port which happens to be where the Navy sixth fleet will often dock. This can turn into a pretty dangerous and problematic slippery slope.

FORD: Yeah, so I'm glad that you guys brought this up because what's interesting to me here in the way that China is going about -- may continue developing its overseas military presence, there are two challenges. One I think for the Chinese and one for the U.S. that are on my mind a lot. China is probably maybe initially pursuing facilities that could be more sort of dual use. Right? So, yes, we have access to a port largely for civilian purposes but perhaps we also then, if we needed it, in the event of a crisis or contingency could use it for military access as well. Now, as you said Mara, referencing Stacy's paper from Rand that assumption may not always pay off for you. So, for the Chinese, yes, perhaps you could get military access but you can't assume you're always going to get it just because you have the civilian access in these ports. For the US, I think one of the challenges here is we've been very used to, in places like Korea, in places like Japan that we're the only game in town around our bases. Now, we see Djibouti and China's extensive port access and port operations all over the world, you're going to see bases where it looks like Djibouti and you have all the sudden a bunch of countries with really concentrated

military facilities all in the same spot...

KARLIN: Mm-hm.

FORD: ...and that's a much more difficult way to operate. Operationally you could imagine all sorts of challenges and dynamics, both vis a vie the partner state but also vis a vie that other country and I can kind of conjure up all sorts of dangerous interactions that could occur as well. In addition to the interactions, there's also the element of potential espionage. Right? So, Mara's point about Haifa and Israel and Chinese access there, the U.S. Navy docks there plenty and China has a really advanced technology sector in its economy. So, there's nothing to say that China isn't using its space there as a launching pad for espionage into the Israeli economy or movements of U.S. fleets.

KARLIN: So, I think one of the points we're really trying to drive home here is, yes, China has adopted a pretty different flavor of thinking about basing. We need to recognize that it looks different. That doesn't mean that it's any less pernicious and in fact it may be more so.

FORD: Yeah, that's a great point. So, looking forward, right now, Djibouti is really the only place where China has an overseas military facility. However, there's been reporting, satellite imagery, speculation about a whole lot of other places, Sri Lanka, Pakistan, you guys mentioned the paper in Cambodia, a lot of speculation about what kinds of naval and air capabilities the Chinese may have there. So, give me your, I guess, speculations about if you were Xi Jinping where would you go next and as an American strategist where would it concern you the most if you saw a Chinese base pop up?

KARLIN: Sure well, China has been pretty public about where it might pursue bases going forward in official documents. So, a few years ago, the Chinese Naval research

institute which is the PL and Navy Chief's internal strategic think tank, also postulated that good sites could include in Miramar, Dar Salam and Tanzania, as well as the Seychelles. So, you know, China's already thinking about this. They're already signaling to some degree that they might consider more aggressively building these out, and in the most recent Chinese defense white paper it was in enshrined that this is something that Xi wants the Chinese military to keep pursuing and push forward. So, he's thrown the full weight that he has in the Chinese Communist Party behind this idea and I think it's largely to protect and ensure the stability of his pet project which is the BRI.

DREYFUSS: This is a really dynamic moment for thinking about this issue Lindsey. The Chinese defense minister said not long ago that Belt and Road would provide a framework for greater military cooperation. So, it is clearly animating how the Chinese government is approaching this idea of spreading its military out and around. If I'm sitting there advising President Xi, I would probably focus a lot on Asia and expanding throughout Asia and also on the Middle East. Particularly, given the sort of dysfunctionality of the Middle East, China's unwillingness to try to reshape it with this sort of optimistic activist way that the United States traditionally wants to. The issue of oil, obviously an excess capacity plays into it. Deep views that are not necessarily wrong across the region that the U.S. is much less interested in it. So, I think there's a space there. It's a space the Russians have started to push into pretty meaningfully and I think that's probably where I would want to go as well.

FORD: Yeah, it's a great point, a lot of instability. China is buying up a lot of port access in the Middle East and Middle East access also gets you a little closer to Europe, too. So, there are some real strategic advantages.

KARLIN: Absolutely, and you do have this polarized situation between the U.S. and Iran in addition to a key waterway, of course, with the Strait of Hormuz. So, if I'm China, I might want to come in and say let me be our arbiter here, let me be kind of the convener, the one who can help in all sorts of different ways.

DREYFUSS: And if we're talking about the Middle East, we can't forget China's need for oil, plain and simple. The Chinese Communist Party has this sort of unwritten deal with the people that it can continue to maintain power in a single party state as long as it promises continued economic development and growth for the vast majority of the Chinese population. One of the key ingredients to that formula is continued access to energy resources. So, the Middle East will continue to play a really key role and seeking energy access is going to be a huge part of the BRI but also China's overseas basing plans.

FORD: That's a great point. Ladies, this has been wonderful and fun chatting with you all today. So, thanks for being my final guests on the Global China Takeover for the podcast.

DREYFUSS: Thank you so much for having us.

KARLIN: Thanks for having us.

FORD: So, I'd also like to say thank you to all the experts who we had here over the week and special thanks to a lot of people who made this possible behind the scenes, that would be Anna Newby, Fred Dews, Gaston Reboredo, and Eowyn Fain for their production and promotion. And now, we're going to turn it over to Senior Fellow David Wessel with his economic update and Fred, I'm going to give you back your microphone. So, thank you so much for loaning it to me for the week.

WESSELL: I'm David Wessel and this is my economic update.

There are a lot of open questions about the economy these days and how it is changing. One of them, particularly important to the Federal Reserve involves inflation. Why didn't prices fall more during the great recession and why haven't prices risen more as the economy has recovered and unemployment has fallen to a 50-year low? The Hutchins Center spent a few hours recently with several experts trying to answer those questions. You can find the video on the Brookings website and we'll be trying to summarize the event soon, but in the meantime, here is some preliminary gleanings.

Inflation has been stubbornly below the Fed's two percent target for some time. As our colleague, Janet Yellen, the former Fed chair, reminded us, inflation is averaged 1.75 percent over the last decade. That's a challenge to one of the main economic models that the Fed and other economists use, it's called the Phillips curve. And it basically says when unemployment rates go down, down, down the pace of price increases inflation goes up but that's not happening. So, what's going on, one, wages actually are behaving pretty much the way the Phillips curve predicts. It took a while but wages are going up now. What isn't going up is prices. Wage is rising, prices aren't. So, it follows that firms must be settling for smaller profit margins.

How come? Well, there isn't much consensus on that. Maybe it's global competition, maybe it's temporary and the price increases are just around the corner. Two, something called inflation expectations matter. That is what consumers, workers, businesses and investors expect inflation to be in the future.

The Fed pays a lot of attention to this using surveys of consumers, professional forecast, financial market trends. When everybody expects the Fed to deliver close to two percent inflation, people don't freak out when something unexpected happens, say a big

spike in oil prices that leads to increases in gasoline prices at the pump.

Unlike the past, people these days don't anticipate that a temporary uptick in prices will lead to a persistent increase in inflation and if everybody believes that -- if everybody believes the Fed will keep inflation near its target, then inflation will stay near its target no matter what happens and the Fed won't have to respond to say an increase in oil prices by raising interest rates. So, the Fed is counting on, as central bankers like to put it, inflation expectations to remain well anchored.

Indeed, one reason today that the Fed has been cutting interest rates is some worrisome signs that inflation expectations are falling below what the Fed wants them to be and that would make the Fed's job much tougher.

Three, one benefit of these anchored inflation expectations is that the Fed can let the economy run hotter than used to be considered wise. That is, it can tolerate a much lower unemployment rate without raising interest rates. This is a good thing. It means more people have jobs and if it draws workers off the sidelines of the economy into employment, this can have lasting effects, not only on them and their families but on the economy as a whole.

Four, globalization is a big deal and may account for some of the changing behavior of inflation. If changing the way the U.S. economy works, and the way businesses set prices. So, it's not only the unemployment rate in the U.S. that matters to U.S. inflation, it's the unemployment rate in other economies as well and the spread of global supply chains has an effect too. Global supply chains that's when a company buys a part in one country, makes a part in a second country, assembles something in a third country and then ships it back to the United States. The spread of global supply chains has restrained price increases

in recent years because it's so easy for firms to get a better deal somewhere and that raises a worrisome question. The fact that global supply chains are deteriorating largely as a result of President Trump's trade war, means that this could be a factor pushing inflation up in the future.

Changing technology plays a role here too. The rise of Amazon and other online retailers means that prices change much more often than they used to. They can change in a minute. And they're also more uniform across the country than they once were. It turns out that Amazon charges the same price to you, no matter whether you live in California or Chicago and so does Best Buy or Walmart.

And there are new technology companies that are setting prices in ways very different than the way say U.S. Steel or General Motors did in the past. They're trying to build global scale by keeping prices down so they can sell more as opposed to raising prices as high as they can. So, we're left with some big questions, has the economy changed so much that we simply don't have to worry about inflation any longer, no matter how low the unemployment rate goes. Or is it that the Fed has done such a good job managing inflation expectation that it's just good policy that's keeping prices from rising, not other things like waning union power or globalization or Amazon. And are the past few years simply unusual and prices will soon begin to climb as wages go up and profit margins are squeezed to the point where they can't be squeezed anymore.

These are exactly the questions that Federal Reserve Chair Jay Powell and his colleagues are focusing on now. Unfortunately, as one of our panelists said at the event Paul Krugman of the New York Times one thing we're learning is how little we really understand about how the economy works.

DEWS: Hi, this is Fred Dews again taking the mic back from Lindsey Ford. Lindsey, you did a great job this week. It was great to collaborate with you.

The Brookings Cafeteria Podcast is the product of an amazing team of colleagues, starting with audio engineer Gaston Reboredo and producer Chris McKenna. Bill Finan, director of the Brookings Institution Press does the book interviews and Lisette Baylor and Eric Abalahin provide design and web support. Our intern this fall is Eowyn Fain. Finally, my thanks to Camilo Ramirez and Emily Horne for their guidance and support.

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Until next time, I'm Fred Dews.