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WILL CHINA'S STRONGMAN BECOME EVEN STRONGER?
WHAT THE 20TH PARTY CONGRESS MEANS
FOR THE UNITED STATES

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Conversation:

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P R O C E E D I N G S

MS. MALONEY: Good morning to those of you joining us here in Washington, good afternoon, and good evening to those of you joining digitally, virtually, from across the world.

I'm Suzanne Maloney, I'm vice president and director of the Foreign Policy program here at the Brookings Institution and I'm truly delighted to welcome you to today's event, a very timely and important one.

For more than 50 years Brookings's deep expertise on China has been at the forefront of informing decisions by the U.S. government and by stakeholders around the world. At every critical juncture in the evolution of the U.S.-China relationship, Brookings's research has played a major role in informing both policy decisions and the public debate. And for decades our scholars have served in key U.S. government positions related to China in both Democratic and Republican administrations, including in the Biden administration.

At such a perilous time for the world, with a war in Europe, tensions in the Taiwan Strait, and wide-spread economic unease, the China challenge is the toughest and most complex issue confronting Washington and the world. And for at least the next generation that will be the case.

As my colleagues here at Brookings in our China Center have written, China today is the largest trading nation, the second largest economy on track to surpass the United States by 2035 or 2040. Together with its economic strength, China's developed a military that is clearly second in the world and increasingly capable and assertive. Given its size and its heft, China's necessarily at the heart of multilateral efforts surrounding global public goods such as climate action, pandemic response, and economic development.

And China's rise is culminating at a time of highly personalistic leadership under the direction of Party Secretary and President Xi Jinping. Perhaps no event is more important in determining the policy trajectory of China than the National Party Congress which is held every five years.

We'll get under way in about 10 days, and it's expected that Xi Jinping will gain a third term and remain at the top of China's pyramid of power. However he exerts his influence to shape the system and his successors will have enduring consequences for the United States and the world, and

that's what we hope to unpack in today's discussion.

We titled our presentation today "Will China's Strongman Become Even Stronger?" And I'm thrilled that we've brought together two thoughtful experts and commentators, Brookings's own Cheng Li and New York Times columnist Thomas Friedman.

One of the world's foremost scholars of China's internal politics, Cheng Li is a senior fellow here at the Brookings Institution and director of our John L. Thornton China Center. He has written extensively on Chinese politics and his two most recent books "Middle Class Shanghai, Reshaping U.S./China Engagement," and "Chinese Politics in the Xi Jinping Era, Reassessing Collective Leadership," are must-reads for anyone seeking to understand Chinese politics in society today. In the past eight months alone, Cheng has published approximately 25 articles as part of a series that anticipates and analyzes China's forthcoming leadership challenges. And he has a new book soon to launch "Xi Jinping's Protégées: Rising Elite Groups in the Chinese Leadership."

Our moderator for today's discussion is someone who needs no introduction, and someone whom we're greatly honored to host once again here at Brookings, Thomas L. Friedman. Recognized worldwide for his commentary, he is the recipient of three Pulitzer Prizes and author of seven best-selling books, the most recent of which was "Thank You for Being Late: An Optimist's Guide to Driving in the Age of Accelerations." Mr. Friedman's column in the New York Times, which he has written since 1995, reports on U.S. domestic politics and foreign policy, international economics, environment, and energy.

What's extraordinary about both Tom and Cheng is that their public commentary is not only read and respected by business leaders here in the United States, but also by policy makers in China and around the world. I'm sure that their discussion today will have equally wide-spread impact and I'm very much looking forward to it.

So without further delay, please join me in welcoming Mr. Friedman and Dr. Li here on the Brookings stage. Before we get fully under way let me remind you that we're on the record and streaming live. We'll reserve time at the end of this conversation for questions from our audience. For those of you who are here with us in our auditorium in Washington we'll have mics that come around to

the audience. And for those who are joining us online, please send your questions to Events@Brookings.edu or via Twitter using the #20thPartyCongress.

Mr. Friedman, thank you so much for joining us here today. The floor is now yours.

MR. FRIEDMAN: Suzanne, thank you very much. Cheng, it's great to be here with you and with people in the galaxy there.

I should begin by saying I have a certain bias when it comes to discussing China. I don't like to use the term "China." I much prefer one-sixth of humanity who speak Chinese. So we understand the absolute scale of what we're talking about here.

And what we're going to talk about today is that one-sixth of humanity who speak Chinese are about to reelect a leader and have their every-five-year Party Congress. And so we're talking about something that has global ramifications.

Now when you've been writing, and just to kick off and play off the title of our program, you believe that President Xi Jinping will actually come out of this Congress stronger. And he's already pretty strong. Why do you believe that, and what do you think the implications of that will be?

MR. LI: Well first of all, Tom, I'm profoundly honored and humbled to share the stage with you at this Brookings event. You have a long and intellectual guru and exceptional inspiration for me, especially at this perplexing and dangerous time in world affairs.

For your question, let me answer through three different angles. First of all, we probably heard a lot of rumors in the recent two weeks, one rumor even got some mainstream coverage, saying that Xi Jinping was under house arrest. But of course that's proved to be a fake. Actually he was under house quarantine for 10 days, seven plus three, after his arrangement to attend the Shanghai Corporation Organization Meeting. So this tells you the huge gap.

But based on my observation, there are three knows. It's quite remarkable on the eve of this very sensitive season.

First is no major leak or important leak of information. We really do not know who will be in the Politburo Standing Committee, what are the amendment of the Party Congress, and etcetera.

MR. FRIEDMAN: And that's unusual.

MR. LI: It's unusual and look at five years ago, you have ten years ago to have so much rumors. And deliberately by given the factions and etcetera.

MR. FRIEDMAN: Yeah.

MR. LI: This probably shows some kind of discipline, some kind of unity, these are not obviously split.

But also there's no major surprises. And I check that because the delegates already form, 2,300 delegates. I checked, around 80 percent of them have their bios available. There's no major surprises if though that should be or not be an expected.

Thirdly, there's no credible kind of challenge among the political establishment. Now of course there's challenges, society, challenge intellectual community, and even business community, not to mention about overseas. But there are no credible challenges within the leadership establishment to come up to Xi Jinping in power. These all show that Xi Jinping, from his perspectives, is in charge.

Number two issue is that the cost of two terms, special first term Xi Jinping ruled the country largely through the working ways of his political allies. Now, for the next term he will rule the country largely by a team of his protégés, the leader's promoted by him. Now of course we know the difference between allies and protégés. So that make him strong.

MR. FRIEDMAN: Yes.

MR. LI: But not all of them are his protégés, but the majority of them are his protégés.

Number three, now we heard a lot of negative things about Xi Jinping, I mean criticism overseas. But we should put ourselves in the Chinese perspective. And in my observation he has been popular in the Chinese public for a number of reasons. Let me very quickly mention these other reasons because they are very important.

The first is the power of elimination. As we know, as Bill Gates said, and also the UN World Bank Report said 800 million Chinese got rid of poverty over the past 40 some years. Of course Xi Jinping was not the leader who started, Chen Shui-bian started. But Xi Jinping was the leader who completed a couple of years ago. Particularly the most difficult period was tremendous resources that resonated him well with the Chinese public, along with the common prosperity, despite some of

considerable criticism from elites.

Number two is the green development. When he came to power six other countries, most polluted cities are in China, in the world, located in China. You know, when you arrive in China, this is about 10 years ago you see the pollutions, you know, major cities. But things changed dramatically. Now only three, maybe even less, located in China, 15 or more located in India. So that's dramatic change within a decade.

Number three, is military reform. Quickly, three components. One is to transform PLA from the Russian model, which have emphasis on ground force, to American model, with joint operation. Right. And also that he himself directly control service forces and also the operation theatres. Previously there's some kind of committees or departments.

And Number Three, he changed the military leaders, promoted so many young guards, so that make him is all essential.

The last probably is the most important thing. Xi Jinping, up to 10 years ago saved the Chinese Communist Party. Remember 10 years ago (inaudible) the scandals. So people at that time, including myself, saw the Communist Party, the days they ruled, in number. But all of a sudden Xi Jinping through anti corruptions through the things I just mentioned early on, gradually changed.

Just to give you one example. That college students, 10 years ago, based on my observation, very few of them interested in joining the Chinese Communist Party. What's the point, they go to business, they go abroad, and etcetera. But 10 years later there's a huge percentage in China's elite school, Tsinghua, Fadah (phonetic), Fudan, you know, name it, high percentage joined the Chinese Communist Party. But this does not necessarily mean they believe in communism, but at least they find that the Communist Party will be with them for a long time to come. So that's my read.

So Xi Jinping may feel that he has some political capital to spend widely around at this moment.

MR. FRIEDMAN: That's interesting, very interesting perspective. You know, one of the things that sort of struck me, I wrote a book in 1999 called "The Lexus and the Olive Tree."

MR. LI: Yes.

MR. FRIEDMAN: And in that book I defined cyberspace for the first time. You'll see where this is going to go in a second. And I defined cyberspace as a realm where we're all connected but no one's in charge. We're all connected by no one's in charge.

And around 2007 it seems to me, this is before Xi took over, but he really completed this. China basically woke up and said oh, no, no, no, no. There'll be no realm here where we're all connected and no one's in charge. Okay?

You want to have seen a way but, you can't be anonymous. You want to have a cloud server, it will be under our control. You want to have a currency bitcoin, not a chance. Telegram encrypted app that we can't, not a chance. So what did China do? It actually projected its Chinese Communist values into China cyberspace.

MR. LI: Uh-huh.

MR. FRIEDMAN: What did we do? What we do is we sit around and say please, Mark, please, Cheryl, please be nice to us. If we ask you pretty please would you control what you're doing? So there's a real asymmetry in the world right now where China has projected its values into cyberspace. Personally, you know, I'm not happy about that, but it has drawn certain benefits from that. There's simply no question.

Because what we've learned is that these technology chains, they actually make efficient, authoritarians, more efficient. They make inefficient authoritarians more efficient; they make efficient authoritarians really efficient.

MR. LI: Yeah.

MR. FRIEDMAN: And they make democracies ungovernable. And I think what I hear you saying a little bit is that the Chinese people, and we may not appreciate this from the outside so much.

MR. LI: Yeah.

MR. FRIEDMAN: But there's an appreciation which we might not be able to appreciate of just the basic stability of life --

MR. LI: Yes.

MR. FRIEDMAN: -- as compared to what they've seen out there. I make no editorial judgement on that but that seems to be what you're saying.

MR. LI: Yes.

MR. FRIEDMAN: I think it's something, do we not appreciate that enough from the outside?

MR. LI: Well absolutely the socialist stabilities, they're very important and no country can develop. Having said that, of course there's some criticism about the tight political control and particularly online --

MR. FRIEDMAN: So there does seem to be, if I can interrupt with just this point, that China today is so much more open than it was 40 years ago.

MR. LI: Yeah.

MR. FRIEDMAN: And so much more closed than it was 10 years ago.

MR. LI: Yeah. Yeah. Absolutely.

MR. FRIEDMAN: There's been a U-turn there.

MR. LI: Yeah.

MR. FRIEDMAN: Under --

MR. LI: Yes. I mean there's tremendous sources of information, the fact that so many students here from China they can immediately call China across the years.

MR. FRIEDMAN: Yeah.

MR. LI: Sometimes social media, sometime WeChat may be blocked, but more often that they can go off of social media. It's a different domain, there's more criticism about what's going on in COVID and the China's policy with Ukraine, and etcetera. So you do see some open space that may not be the official media but is certainly in the social media and also through the technology and the many other things.

MR. FRIEDMAN: But I asked this question, to sort of finish out this point was that because of that U-turn, okay, in terms of openness, is there also a price that China's paying for that, for that stability?

MR. LI: Well of course. You know, draconian nature, you know, there's some backlash. There's also my fear is this kind of mobilization capacity could be used for some other things.

MR. FRIEDMAN: Yeah.

MR. LI: So I think on the one hand this mobilization capacity can prevent the spread of disease. This is actually good things, I think.

MR. FRIEDMAN: Yeah.

MR. LI: We all should appreciate it. But at the same time, at what expense, at what cost? Privacy and freedom, many other things. I think that again, we do probably should not go to extreme to say one is absolutely better than the other.

MR. FRIEDMAN: Right.

MR. LI: I think we should find the room to, you know, in balancing that approach. On one hand we should protect the peoples' lives and their safety is very important. That is also human rights, you know, in that regard. But at the same time excessively used, used to move ideas and continue to control people to prevent, you know, independent thinking, discussion, and some legitimate issues, I think that's a problem that China needs to address.

The good things is that what happened in Shanghai, you know, during the lockdown, you do see middle class consciousness. Suzanne mentioned my book, at that time I felt that the relationship between middle class, and government is always subject to change, it's not fixed.

MR. FRIEDMAN: Right.

MR. LI: But I do not realize that some of the criticism, some resentment can occur so quickly. But at the same time these people also want to step into it, want the China's rise in the global stage and they're also probably more critical about some U.S. policy towards China and certainly they are nationalistic about Taiwan. So it's a complicated spectrum. I mean you can be liberal on certain issues area, but you can be conservative on measures of sentiment and etcetera.

MR. FRIEDMAN: Yeah. I think it's very important that it isn't black or white, you know, it's just, before again we leave this question of strength, you know, maybe the policy that President Xi is most known for is his approach to COVID.

MR. LI: Uh-huh.

MR. FRIEDMAN: With his lockdown approach and not opting for the world's best vaccines. Do you think that might change? One question I get all the time, will that change after the Party Congress? I'm not sure why it would. If I were him, I'd want to change it before. But how do you understand that? I mean that's a policy no one else in the world is doing it, playing whack-a-mole with a virus.

MR. LI: Well, of course China has a problem, big problem I describe. It's all in a paradoxal combination between over confidence and excessive fear. It's just a little to know what's the good balance.

MR. FRIEDMAN: Yes. Yeah.

MR. LI: But of course Chinese leadership probably is proud, with good reason, that there's a very low infection rate, which was the lowest probably in the world, and the low death toll.

MR. FRIEDMAN: Yeah.

MR. LI: I mean this is good things for China. But at the same time that the way they handle, you know, the public panic about the lockdown probably as bad as, you know, the virus itself.

MR. FRIEDMAN: Yeah.

MR. LI: And the economic cost is unbearable. And also can tend to the political challenge. And also the fact is that we should have better understanding, the nature of the virus changed because of availability of vaccine and other things. When the world is open the herd immunity, China is in the ultimate position. But having said all these things, I think it's fair to say things is changing in China. Because they previously used the zero tolerance, but lately they add one word, dynamic zero tolerance, it might be a contradiction, zero.

MR. FRIEDMAN: Yes.

MR. LI: But now even they were so soon out of that, concept with micromanagement. You know, we see the national TV, the holiday that in both outdoor and indoor meeting top leaders when they met with the delegation about the CO9, the China's own aircraft, huge number at the hall, no one wear the mask.

MR. FRIEDMAN: Yeah.

MR. LI: And also that in Hong Kong the COVID party is from 7.0 to now zero plus three. So basically zero.

MR. FRIEDMAN: Yeah.

MR. LI: You know. And also Beijing they also adopted a lot of policies to promote trade, the board entry and the executive flights. We can say that's still not enough because Beijing community, the international community, is still very critical about that. But at the moment they are not going to change.

MR. FRIEDMAN: Right.

MR. LI: Ultimately depend on COVID saturation, they possess new way for what like what Biden said two months ago, three months ago, everyone, many people in fact did and etcetera. China were monitored very closely. China probably will be among the last group of country to open up. But when they open up will be very, very fast because of motivation capacity and that economical rebound could be quite significant.

So I think we should monitor very closely. But there are some encouraging sign at the moment, you know. Even Xi Jinpin's Chief Advisor under Public Health also said we probably should treat this as a regular flu. Now that's a major change.

MR. FRIEDMAN: Yeah.

MR. LI: So they paved a way. But on the other hand they always would claim victory, why it was a victory, it's a victory. I mean no matter what happened they would say it's a victor. But that the real things they have to go along with the international community. So that's my read.

I'm a little bit more optimistic than other, but ultimately, we should see how the situation will unfold. Because our knowledge about the COVID vaccines and the many other things are still not that comprehensive, you know, yeah.

MR. FRIEDMAN: So people expect that these restrictions will come off after the Party Congress?

MR. LI: Yes.

MR. FRIEDMAN: Is that realistic to expect or unrealistic?

MR. LI: Well it is not open now; the process can be solved. I mean people in Beijing because delegates plus their staff members, will be terrible. But on the other hand that's because economic challenge become political, international community with all these things come together I think that at least it's smart. I do believe that the leadership it's, you know, of course they have a tremendous information we do not have. Maybe that's a reason. Maybe they are tempered, they think China still has the money and resources and capacity, but I just doubt, I think they have to go along with that.

But when they will open up whether it be December or even earlier, or, you know, later or after March meeting, C10, I do not know, but I'm tending to leaning towards more optimistic situation. Yeah.

MR. FRIEDMAN: So let's talk about the flip side of President Xi's power, and that's he must have galvanized some powerful opponents as well.

MR. LI: Well the interesting thing is that of course you can see that the opponents actually not in the senior leadership at the moment because his successor defeated some major factions, it's quite remarkable. Chinese Communist usually lead, they dominate the Central Committee before. And also (inaudible), he was part of that, but he then captured (inaudible).

MR. FRIEDMAN: And how did he do that, by decapitating them or --

MR. LI: This operation comes with the deal making and also use the corruption, you know, this kind of bad situation to change. But the point is the timing he calculated is very interesting, you know, even just until recently that he is really firm control of the police. Otherwise he was not intentional.

MR. FRIEDMAN: Really? Well.

MR. LI: You know, you see that. But of course that corruption has made him a lot of enemies but also even not talk about corruption, you have the Chinese local leaders which leader you like more, Mau or Tin. Probably most leaders think that Tin is better. But Xi Jinping actually position himself between and so for his reason. And so that's probably means some of the local officials but also entrepreneurs. I think the super-rich and --

MR. FRIEDMAN: Oh, yeah.

MR. LI: -- and the liberal intellectual. But on the other hand he's popular with the general public reason. And also, he's popular among the political establishment, the top. The reason he is, many of them are his protégés and also some of them probably have information, think that Xi Jinping probably is head of time. Some of his decisions are obviously not for China's interest. They do not have power to challenge him, they may not be even interested at the moment. But things will change, you know, after this Party Congress. And, you know, a new faction will emerge, maybe from his protégés as --

MR. FRIEDMAN: Interesting.

MR. LI: -- a new faction or line will come. Tin himself is a protégé of Xi Jinping earlier on.

MR. FRIEDMAN: This is ongoing.

MR. LI: This is ongoing. So he will monitor that very, very closely. But he at least have a few years. I think he will be very, very powerful. But in the top level I do not see any major figures, military or civilian to challenge him at the moment. Again, that's because of the specific things I described.

MR. FRIEDMAN: Yeah, I understand. So how then closely should we follow the composition of the new Standing Committee? What should we be looking for, what are you looking for?

MR. LI: Well, the fact that we pay so much attention for Standing Committee, this in itself is quite revealing, I think it's well deserved. You know, if it's strongman, why just look at Xi Jinping, not bother to look at his competition or lineup, because lineup is important for a number of reasons.

First let me mention what the structure in the Chinese political relationship basically three important parties. One is Central Committee, 376 members, and these are important figures, even 376 because there's Ministers, Provincial Party Chief and Provincial Governors and the top military elite, CEO of China's flagship companies. If you want a career to move, you have to belong to this club. So 376. I think that two-thirds of them, basically 67 percent or roughly will be changed. I know the number is quite high.

But it's not unusual. In the previous Party Congress also roughly about that, you know, 62 percent. Last time it's 75 percent because of the purge and the corruption sector.

Now the next level is the 25-member Politburo. This is even more important. My prediction is 60 percent, so namely 15 out of these 25 will be newcomers, first timers.

MR. FRIEDMAN: Interesting.

MR. LI: Most important is the seven, either seven or nine Politburo Standing Committee.

MR. FRIEDMAN: Yes.

MR. LI: But it's very important. The previous norms or rules, like the retirement age requirement, the term limits I think, were not applied for that level. Applied for the Central Committee level.

MR. FRIEDMAN: Right.

MR. LI: You know, or Minister or Prime Minister leader level, strictly. But not for that level because Xi Jinping made it very clear. He'd also have a relation department at the right this time they were not as obsessed with the age factor. So which means they are young, you have to go, you are old, you may stay.

Now whether that's a very important concern that at the moment that Xi Jinping definitely will stay. The oldest one, Lee Jong Su, his current member, ranking member third, born in 1950, quite old compared with the other leaders. They are actually eight leaders in the Politburo born in 1950, that year. That's only in the Politburo Standing Committee. He will step down, it's for sure. But he may become Vice President of PRC, you know, replace Wang Qishan, you know, Wang Qishan retire.

So Xi will stay, of course, who other five people will stay. No. And then the other five people, the age difference is five years. So who will stay, who will leave? It's very, very difficult, this is the challenge for Xi Jinping. If you create a tension, unfairness there will be lot of resentment, even they cannot compete with Xi Jinping.

So in my view among these seven people, I think of probably four will be first timers. Maybe three will be younger leaders. Why three, but if it's only two, then next day, foreign media or Chinese public will say these two people, in five years, one will replace Xi Jinping, one will be the next Premier.

MR. FRIEDMAN: That's what I was going to ask.

MR. LI: So Xi Jinping deliberately want them admitted, so three, maybe even four, if it's a non-member could be five. So he need to pave way for younger leaders to that fellowship. Yeah.

MR. FRIEDMAN: So my question is related to that. Is this presidency's final term or his third term?

MR. LI: Well this will be his third term. It's unclear whether he will have a fourth term or not. The political establishment already endorse third term. Xi Jinping can probably plan for the fourth term but it all depends on next five years, it's not a given. But I do not abide argument that Xi Jinping plan to stay there forever.

MR. FRIEDMAN: I see.

MR. LI: So I think there are two more terms probably will be that's it. But I do not know at the moment, it will depend on things. But by the fifth term is at the moment for 10 years. So he can, if this time I don't think that he will identify successors. I could be wrong but 90 percent chance he does not want to give them that line. He does not want the, also, to be fair, you should test the successor. Why? Test it for himself, test it for political acceptance, accepted by Chinese people.

MR. FRIEDMAN: Is there a chance that he would name a successor, his own?

MR. LI: I think it's 90 percent he will not but that 10 percent I could be wrong. Could be the possibility. So I guess that deliberate make it ambiguous if it's only one younger leader or two younger leaders people will identify them. So maybe three, you know, and plus there are some other leaders. So they delay the process for a while, but not too long. For too long I think there will be some pressure on him.

MR. FRIEDMAN: Because, you know, in the last five years the United States, China, and Russia all had leaders who tried to make themselves for life. And it didn't work out so well for at least two of them.

MR. LI: Yeah. So I think there is some speculation. People said that Xi Jinping should move down for six generation and they were born six generation. Chinese definition of generation now become much easier than the time when I was in field. And you were born 50s, you're fifth generation. Born 60s, someone Xi Jinping second generation to look for seventh generation. I don't buy it. Because

you look at the current Central Committee, you know, at the moment there are only two members born in 70s out of 376, only two. One of them an economic delegate. So now of course in the coming Party Congress there will be more people born in the 70s but they would not go beyond 10 percent. And the predominance of people, 75 percent were born in the 60s. You cannot just skip that. I think it is a far more difficult. So I think this is 10 years, you know, based on my prediction, that would be case. Of course he's still could exert influence. But again, far more difficult to predict 10 years down the road, right?

MR. FRIEDMAN: Yeah.

MR. LI: Now one important issue --

MR. FRIEDMAN: What was the Prime Ministership?

MR. LI: Premier, yeah. I do not have an answer for who it will be at the moment. I think the only speculation is not credible.

MR. FRIEDMAN: Now the current Prime Minister is gone?

MR. LI: He will be gone, he already announce.

MR. FRIEDMAN: Right, right.

MR. LI: And Li Keqiang. Now I think, but I do know there's four candidates. Because the Chinese system any Premier, previous Zhou Enlai is a Premier. No exception, except of course Zhou Enlai, the first Premier. Of course you do not have the Vice Premier in 1949. So who previous Premier or so is Vice Premier. So in that regard we should look at those Vice Premier current or former. So we end up with four people, started with Shen Jong-Chin, current Executive Vice Premier, also the Standing Committee member.

The second one is Futon Wah. Is not Xi Jinping's protégés, but Futon Wah's protégés. Similar career, went to Tibet, also advanced career from Chinese Communist, usually number two. Number three is Liu Hur. Liu is not over yet although the age wise he is not at the, it not work for him. But again, I said age is not the most crucial thing. The last one, Zhang Gaoli, former Vice Premier. But whoever become Premier actually send a signal about Xi Jinping primary need for his political and policy consideration. For Shen Jong-Chin his policy continued because he's current Executive Vice Premier he

can continue the current policy. For Futon Wah is a leadership in unity. He's not, in my faction, a united party together appointed people beyond my, you know, outside of my faction. So it's a very important message.

The (inaudible) is international popularity. This is the guy, is very respected in community. I remember that I first met with him along with Dr. Kissinger.

MR. FRIEDMAN: Yeah.

MR. LI: Dr. Kissinger told me immediately that guy remind him Owen Li, the graciousness and the kindness. I told Dr. Kissinger you should not say so because could overhear, or you'll be in trouble if that is overheard.

MR. FRIEDMAN: Yeah, that's true.

MR. LI: Last one, so Wang Yow.

MR. FRIEDMAN: Yeah.

MR. LI: But Wang Yow is for the drastic policy change.

MR. FRIEDMAN: Interesting.

MR. LI: Wong Yeng is liberal on the political front, he talk about political reform along with the UN, you probably met before.

MR. FRIEDMAN: Yes. Actually was invited by Wang Yeng when he was --

MR. LI: Yeah, yeah, yeah.

MR. FRIEDMAN: He made everyone in his government read the Chinese version of the World is Flat.

MR. LI: That's right, I remember that, I read that, it's a requirement that you get this huge, huge - -

MR. FRIEDMAN: (Inaudible)

MR. LI: That's right. That's right. He is very, very kind of liberal oriented. Also his economic policy also very liberal, market orientated. Also remember that 10 years ago he challenged (inaudible), you know, there's two different model, Wong Du model, Shen Chin model.

MR. FRIEDMAN: Interesting.

MR. LI: But to me it's just party political reform, more market reform. Are we going to see that? I think not to see. I would rather see, you know, in my assessment, probably more continuity than change. But who knows?

MR. FRIEDMAN: Right.

MR. LI: Now the margin of likelihood of who will become Premier among these four people are not huge, it's not huge. Of course that is my order.

MR. FRIEDMAN: Right.

MR. LI: But again, I do not know.

MR. FRIEDMAN: Those four would be --

MR. LI: Four, yeah. Probably more likely the first two than the later two. So that's my assessment. Again, we will see that very soon.

MR. FRIEDMAN: So what does it mean for U.S./China policy?

MR. LI: Well, personnel is policy, I mean that is very important. If (inaudible) he certainly would even try to improve relationship with the United States. And some other may be more tough and etcetera. Now no matter what we also should not only look at the Premier, we should also look at what kind of new leaders, the younger generation, enter the leadership. I actually see among the many changes in that particular regard there's some changes, generational changes. But one thing is the rise of the people from aerospace/ aviation industries.

MR. FRIEDMAN: Interesting. What kind of --

MR. LI: I call them Cosmos Club. I mean they are very powerful group.

MR. FRIEDMAN: Why Cosmos Club?

MR. LI: Well first Xi Jinping emphasized aerospace be Asian.

MR. FRIEDMAN: Interesting.

MR. LI: Because this best way to show China's strength, China's in connection coming of age in the world stage, right? And Xi Jinping certainly think that these people probably less political at the moment. And these people actually spent 20 years in space industry. They are ROC scientists, real ROC scientists. They are members of a prestigious international academies. And they, for 20 years they

are also CEOs, deputy CEOs, of China gigantic, you know, space companies. These are global Fortune 500 companies.

MR. FRIEDMAN: Yeah.

MR. LI: And also of that, as probably show Party Secretary for five years less than the 20 years. That include Xi Jinping private secretary, Majon Ri, Xi Jinping private secretary Peng Liyuan. Peng Liyuan speaks flawless English and also the next one, Fong Shen Li, former Party Secretary. I mean I think these three people, at least two were in the Power bureau and marginally maybe the two jump if less being promoted on Central Committee to Politburo Standing Committee will be him, if it happened to Rong Ji 20 some years ago.

So of course the chance is not so big. So these are the rising stars. Now these people heavily engage with the military-civil fusion, that development. These people are very much on the so-called indigenous, technology indigenous innovation.

MR. FRIEDMAN: Interesting.

MR. LI: So that was a challenge for the United States. Now Xi Jinping, despite some people says he's an anti-intellectual just due to circumstance, right? But also promoted lot of very talented scientists, university presidents, scientists, in the country. You will see these kind of people, a large number of people actually seven or eight, joint the Politburo, 25 people. This is so remarkable.

Now I don't want to make some comparison, but I know if we look at the United States, you know, of course we have Steve, what's his name, Steve Chu, the Stanford --

MR. FRIEDMAN: Yeah.

MR. LI: But not too many.

MR. FRIEDMAN: Yeah.

MR. LI: So if we really wanted to have the technical competition --

MR. FRIEDMAN: We've got an advantage, we choose lawyers, so it's really worked out well for us.

MR. LI: I remember that my colleague, (inaudible), I think you probably remember that Bill Clinton, when he met with Jiang Zemin, that Jiang Zemin said you have too many lawyers, we have

too many engineers, let's trade. At that time, but China said I don't want to trade, China can produce their own. Now some of these people become technocrats and I'm sure I will say the new technocrats 2.0 is the ROC scientists and life sciences, AI experts, you will see some of them from the Central Committee.

MR. FRIEDMAN: Well one thing I think I would worry about though is that if President Xi undiscounted, tell me if I'm right about this. You know, I think the whole Taiwan/ China semiconductor comparison is very interesting. And this is the way I would describe it, you know. There's this barren rock in the typhoon laden sea called Taiwan.

MR. LI: Yeah.

MR. FRIEDMAN: With 22.5 million people. They have the greatest semiconductor manufacturer in the world by a long margin. Across the Straits on a clear day I think I can see it, is mainland China. 1.4 billion people. Speak the same language, share the same cultures. Spending billions and billions of dollars and aren't even close to making semiconductors as well as the 22.5 million people on the barren rock in a typhoon laden sea.

Now how is that? That's a question I would be asking President Xi. Why is that? What is their secret on the barren rock in the typhoon laden sea? Their secret actually is trust. What makes TSMC so unique is that actually Apple and Call.com and Intel all trust TSMC with their most advanced designs and trust their IP will be protected. And it leverages those advances for the benefit of the whole.

People say China, one day they want to invade Taiwan just to get TSMC. The moment China grabs TSMC, the moment it puts its hand on it, probably it's worth zero. Their whole comparative advantage is trust. And that's what I think, what I would be advising President Xi is that you've actually been eroding trust. And the idea that you can build a vertical stack of every element of the semiconductor supply chain, which gets more and more complex, even we don't compare, it's a completely global stack. I just think it's a really interesting proxy --

MR. LI: Yes.

MR. FRIEDMAN: -- for the future where I think there's a vulnerability.

MR. LI: Well I agree with you. Certainly Chinese talk about vulnerability, Chinese talk about the shortcoming, the weaknesses of China. That area is certainly very clear in the Chinese

narrative. But the question is that in some other eras, like early I mentioned about aviation, aerospace --

MR. FRIEDMAN: Yeah.

MR. LI: -- China also lag behind. But now it's catching up, right? AI China, then now almost equally powerful as the United States.

MR. FRIEDMAN: And in space. I mean actually on the earth.

MR. LI: So the question is that whether China can catch up in this area but how long. I do not know the answer. And I think it is certainly Xi Jinping will be very upset through Xi Jinping hear people talk about the success or catch up if that did not happen, did not deliver. Just like China soccer team. They talk about the lot but never change. So the question is how long will it take?

Now according to Bill Gates he says that this kind of development China will catch up relatively quickly because this kind of decoupling, technology decoupling, will only accelerate the China's development in this area. So I do not know, so I do not have sufficient expertise to answer that question. But observation is certainly in the valley, it's also in the Chinese narrative, Chinese discussion.

MR. FRIEDMAN: Yeah. So just to wrap up and then we'll open to the audience. Cheng, I'm deeply uncomfortable with where U.S./China relations are going.

MR. LI: Yeah.

MR. FRIEDMAN: For the main reason is that I don't know where this is going. I don't --

MR. LI: Neither do I.

MR. FRIEDMAN: I ask myself some days, what exactly are we fighting about? I mean are we afraid China's going to occupy Chinatown here, something like that? I mean what is this thing about? But all I know is that as we're going forward, you know, I think of the years 1979 to 2019 as an epic.

MR. LI: Yeah.

MR. FRIEDMAN: And I call the epic between U.S. and China "unconscious integration." You woke up one day you want to have a supply chain, Cheng, you just did it. You want to teach at Fudan, you just did it. You want your kid to study at Chinwah, you just did it. You're Chinese, you want to be listed on the NASDAQ, you just did it. You want to own a plant in Ohio, you just did it. It was

unconscious integration.

And over those 40 years we became the real one country, two systems.

MR. LI: Yeah. Yeah.

MR. FRIEDMAN: The U.S. and China. Not China alone, we were the real one country, two systems. And, grosso modo, you know, if you look at the world during those 40 years it was a period that a lot of people grew out of poverty and there was no great power conflict. And there was a lot of globalization. And at the center of that whole process was that U.S./China, one country, two systems. We are ripping that apart.

Maybe it's all China's fault. Maybe it's all our fault, I have no idea. All I know is we are going to miss it when it's gone.

MR. LI: Yeah. Well to answer the question, I'm so glad you raised that question. Let me try to answer, you know, about your excellent question.

I think first of all from President Donald Trump to President Biden we thought there would be big change, that did not happen.

MR. FRIEDMAN: It went from not black to white, to black to blacker.

MR. LI: So that means that the deterioration of the generation has nothing to do with the party or the president.

MR. FRIEDMAN: Right.

MR. LI: The same things that deterioration occurred in Xi Jinping's tenure of 10 years. So naturally some people blame China and outside China about Xi Jinping.

MR. FRIEDMAN: Yeah.

MR. LI: But the fact is that the U.S. already decided to contain China before Xi Jinping even claim the abolishment of the term limits and extension. So it's again, it's a structure problem rather than an individual. Of course individual play very important role. That's a perpetual question about individual with the environment. But I came to emphasize a structure problem.

Now what mean by structure problem? This is a structure where the United States had never, you know, face in different challenge of country so compatible economically, militarily,

technologically.

MR. FRIEDMAN: But not politically, you know.

MR. LI: No, not political, but could be if we go back that far.

MR. FRIEDMAN: Yeah.

MR. LI: The Soviet Union at that time, these things were World War II, right. Soviet Union, as you know, was a very strong militarily, maybe strong in some technological area but they're not in the incoming system.

MR. FRIEDMAN: Right.

MR. LI: Technology also is not apparent.

MR. FRIEDMAN: Right.

MR. LI: But China is different.

MR. FRIEDMAN: Yes.

MR. LI: So this is what the Chinese call the number one country and number two country emerging power and existing power. This is someone talk about that this is two cities travel, whatever. I do not buy that, but I do see that the tension, this is number one.

MR. FRIEDMAN: Yeah.

MR. LI: Number two is related to what you said is twofold. I think both countries have some problems. Because these things happen at a time the United States, as you said, one country, two systems, we have some problems. Our politics, economy --

MR. FRIEDMAN: Yes.

MR. LI: -- more than anyone describe that situation.

MR. FRIEDMAN: Yeah.

MR. LI: Politics, economic, social, and social wars going on and there were --

MR. FRIEDMAN: And they were still enemy you're saying.

MR. LI: That's right. No, but also more importantly, if we are in good shape, we don't care about Chinese difference politics, ideology, who care?

MR. FRIEDMAN: Yeah.

MR. LI: But if we are not in good shape. So Chinese different model, different ideology become far more sensitive. This is the Chinese probably never realize they cause a tremendous resentment and attention in this country.

MR. FRIEDMAN: Yeah.

MR. LI: So these two special factors --

MR. FRIEDMAN: Interesting.

MR. LI: -- I think explain. Now I have still --

MR. FRIEDMAN: I have a third, can I add a third?

MR. LI: Please.

MR. FRIEDMAN: So for me, if we look at those 40 years, during those 40 years we sold China what I call deep goods.

MR. LI: Yeah.

MR. FRIEDMAN: Software and chips that went deep into their system. Which they had to buy from us because they couldn't make them themselves.

MR. LI: Yeah.

MR. FRIEDMAN: They sold us shallow goods for the first 30 years. Suits to put on our shoulders, socks to put on our ankles, solar panels we put on our roofs. They sold us shallow goods; we sold them deep goods. And as long as we were just buying their shallow goods and they were buying our deep goods, we didn't care whether the system was authoritarian, libertarian, or vegetarian. It didn't matter, we were just buying their shallow goods. So I mean who cared?

MR. LI: Yeah.

MR. FRIEDMAN: And then one day this company came along called Wah Way.

MR. LI: Yeah.

MR. FRIEDMAN: And knocked on our door and said we'd actually like to sell you deep goods. We'd like to sell you 5G, which we can do more than anybody else. And we'd like it go into your sidewalks, into the walls of your buildings, and into the Chat box in your bedroom. And we say whoa, whoa, whoa, whoa, whoa. You want to sell me deep goods into my system? And this is where the

absence of trust really came.

MR. LI: Yes.

MR. FRIEDMAN: I really don't have the trust to buy your deep goods. And that translates to all kinds of deep good.

MR. LI: Yeah, yeah.

MR. FRIEDMAN: And so we get back to that trust question because, you know, one of the things I've felt for a while, just toss this out. I believe, for the benefit of the world, I think President Biden and Xi Jinping should have a phone call every Friday morning. Not every six months, not every three months. Well I'll state they should be talking every Friday morning, hey, Friday. Here's what you're doing that bothers me, what am I doing that bothers you? Because we are still one country, two systems, you know. And the idea that we're going to decouple and to either our mutual or individual benefit is a complete fantasy.

MR. LI: Yeah. I think it's, you know, both president, and you can make, you know, push further, particularly after G10 Meeting. I hope that they're meeting.

MR. FRIEDMAN: I hope they're meeting.

MR. LI: And the one thing is despite all the problems, you know, as you said, so low, I do not buy the argument, actually my colleague, Evan Austanaught (phonetic) I mean I love him, he said the U.S./China relationship is a freefall. I do not buy it. And some Chinese scholars also argue that way. I don't think it's a freefall. If it's freefall it's a war.

MR. FRIEDMAN: Right.

MR. LI: I think both countries, always at war. But it's a downward spiral.

MR. FRIEDMAN: Right, yeah.

MR. LI: That it's a spiral, it's an adjustment, because we're head of state, because of interest group, because of the war scenario, no time of war, there was an adjustment, right. Even look at Wang Yi, he recently, I read a poll, he met with Tony Blinken --

MR. FRIEDMAN: Yes.

MR. LI: Remember this was a few weeks ago they talked, China talk about the

cancellation extension.

MR. FRIEDMAN: Yeah.

MR. LI: But this is short period, China change it. Because China still wanted to talk to U.S.

MR. FRIEDMAN: So this is my last question before we go to the audience.

MR. LI: Yes.

MR. FRIEDMAN: Isn't it time for Biden to Beijing? Look what's going on between the U.S. and Russia now. Isn't this the moment for Biden to Beijing?

MR. LI: Well I don't see that's politically impossible because of the domestic party would not allow that situation.

MR. FRIEDMAN: Yeah.

MR. LI: But I think you raise a very important question about the Russian/Ukraine war. I do want to talk a bit on that.

MR. FRIEDMAN: Please.

MR. LI: And this I will say is the biggest challenge, well not the biggest challenge, probably biggest is Taiwan, the second one is Russian/Ukraine war. And I never seen a foreign policy issue that Chinese elite, social elites, intellectual elites, entrepreneurs, and political elites, partially because the past 40 years its engagement was not with Russia, was West with the United States. That actually has everlasting impact. And also some people argue that China foreign policy has been high jacked by Russia, by Putin.

Now China and Russia are so different, you know, China is an emerging power, rising power, Russia is declining power. President Obama even said it's no more than regional power, November 2014 he said that. And the China benefit from the post-Cold War era economic relations, Russia was weakened by that process.

MR. FRIEDMAN: That's right. Interesting.

MR. LI: And also even China want to promote cooperation, even partnership, not allies, China never use the term allies with Russia. Partnership with Russia. China not want the expense of EU

country because EU you see is the largest trading partner with China so past the county, of course the final date is not arrived yet, the party showed that.

MR. FRIEDMAN: Yeah.

MR. LI: But particularly China do not want to see that kind of a block parties back there with the Cold War.

MR. FRIEDMAN: Yes.

MR. LI: But having said that, Chinese leadership, as you know, has not condemned Russia for invasion, even China did not benefit from that war.

MR. FRIEDMAN: Right.

MR. LI: Because it's China's view that if you want to condemn, you should also condemn NATO's eastern extension. But most importantly, Chinese leaders feel that they do not want to see Russia fatally defeated by NATO and the United States. Why? Because if that happened the next one will be you, China.

MR. FRIEDMAN: Yes. Well I'll say we'll go to questions, but --

MR. LI: So that's why --

MR. FRIEDMAN: I say, you know, Xi Jinping is different from Putin in this sense. Putin is a rare and dangerous combination of all powerful, miscalculator, risk taker. That's a terrible trifecta in a leader. When you're all powerful, you're a miscalculator, and a risk taker, and he has dragged China into a very, very complicated situation.

MR. LI: So I think that China certainly, recently Putin made a very interesting statement, that he understood Chinese concerns of the war. And once the China/Russia relationship shaky, I would not go that far. I think that China want to make a point that if the U.S. and NATO continue to push for Taiwan, that China have to go or less cooperate Russia issues. If not, it's China's interest to start with this nuclear threat and to go back to negotiating table. So that's explain the Chinese mindset, the Chinese fundamental dilemma in that issues.

MR. FRIEDMAN: Yeah. They don't want to see a fractured and weakened Russia, a defeated Russia.

MR. LI: Yeah. Yeah. Because it's already, many people in Washington power say the most formidable issue not Russia, it's China.

MR. FRIEDMAN: Yeah.

MR. LI: So, I mean that's a dilemma that in any Chinese leaders will face.

MR. FRIEDMAN: Let's go to the audience. We got 10 minutes remaining, or nine minutes. Any questions out there? Please, right here. And would you identify yourself?

MR. LAWRDY: Nick Lawry from Peterson, and my question is for Mr. Friedman. Why is it that those in the U.S. national security foreign policy establishment do not perceive that we're going to miss globalization when it's gone?

MR. FRIEDMAN: Really good question. And, you know, partly it's politics, both parties I would say are being driven by the fringe. So progressives hate globalization because it involves trade. And the right hates globalization because they think it involves cultural dissolution and multilateralism and acceding of power.

And unfortunately, the center, which let's call them the TPP faction, moderate Republicans and centrist Democrats, who should be the biggest defenders of TPP, are wimps and cowards. And as soon as these fringes, you know, went after it, rather than defending TPP as the greatest tool we have economically and geopolitically to both balance China and also stimulate reform inside China.

Because there are two people who mourn TPP. Me, I think I was the only one in Washington who did. Maybe President Obama, so two of us. Because Hillary Clinton certainly didn't. But then there was a whole group inside China, which we are completely deaf to, who saw TPP as a lever to drive internal reform in China. I call it globalution, revolution from beyond, you know. And we're completely deaf to that whole thing. And the inability to stand up for what was one of the best trade pacts ever written, sensitive to environment, to worker rights, to everything, that the Democratic party would not stand up for its own thing because it was afraid of its left and afraid of the right. It was just an act of cowardice that we deserve what we get for it.

If you want to know what I really think, ask me afterwards.

Any other questions? The young lady here, yeah.

MS. Nancy: Hi, I'm Nancy from Johns Hopkins University. I just have a question for Mr. Li. Do you think there is a way that a weakened Russia, not fatally weakened, is actually to China's advantage or in China's interest? Thank you.

MR. FRIEDMAN: What a good question. Thank you.

MR. LI: Well, that's a tough question. And for the time being I think I already express China's concern, particularly from the leadership. I think of course, as I said early on, this is the country also dividing at the issue area, but no one could answer that question that if Russia defeated that China's is next one, how would you respond? So that's a really an unfortunate reality.

MR. FRIEDMAN: Yeah.

MR. LI: I hope that this tell us that this require the multiple player to change their positions, not just the one. But of course I grew up in the period that China and Russia was in terrible shape. I remember that 1968 was the Northern (inaudible) incident that I spend as a middle-class student, middle school student, spend whole year digging the shelter because of nuclear attack from Russia threat. Later on we saw it as fake but it's not fake, Dr. Kissinger actually later released that time Russia needed came out to say we want to use nuclear to attack China. You should be silent. We said we should not be silent. I mean in that regard. So, no. So that's actually it's a very profound thing actually. Most Chinese in my generation and maybe younger generation, they all remember that things.

So that will tell you that bad knows, nothing is predetermined. But it's required all the party to engage if we continue push, think of China as the most formidable enemy, we wanted to test China on Taiwan issue, puts China in a very awkward position. No Chinese leaders can survive the Taiwan independence matter that China's under attack by the NATO or etcetera.

So of course we are not going to attack China, right, the United States. But the point is there's a mutual reinforced fear that China is not necessary wants to attack Taiwan at the moment, they want to maintain status quo. So the point is this mis-mutually reinforced fear and animosity reach that at degree. So that's the situation.

MR. FRIEDMAN: But suppose, I'm going to give you two jobs right now, Cheng. I'm

going to make you National Security Advisor to President Xi and National Security Advisor to President Obama at the same time, we're going to divide you in half.

What would you advise, what can save this relationship, if anything? What should each person do to try to save this relationship?

MR. LI: I think it's the same advice for both. U.S. and China are equally powerful. There's no way you can defeat the other. So let's work together. And we face some common challenges. I mean not only just Russia, but the climate change and terrorism, economic. Look at the global financial situation, global economic situation, right?

So let's work together, do not let fear and animosity drive us to create a situation. There's no winner because we enter the AI age. Russia/Ukraine war is, this is my friend Russel Chamold (phonetic) told me, I want to use the quote, to end. If Russia/Ukraine war is the last war of the 20th Century, if there's an end war, the potential war over Taiwan would be the first one in the 21st Century. It's an AI war. Dr. Kissinger said it will be AI war, which means you cannot limit the passive war, you cannot be limited war, will be escalated so quickly.

So which mean there's no winner. So if that's the case we should work together because of our strengths, because our capacity to do good things. So I think it's the same advice.

MR. FRIEDMAN: Well that's such good advice. Unfortunately, the political advice to both guys came in and said that's too rational, it won't play with the street, thank you very much.

MR. LI: Thank you.

MR. FRIEDMAN: Thank you all very much for coming.

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