

3 Takeaways Podcast Transcript

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Ep. 31: Former Prime Minister of Australia, Kevin Rudd: An Inside Perspective on What China's Leader Xi Jinping Really Wants and How to Prevent a U.S. China Calamity

0:00:00.8 INTRO male voice: Welcome to the 3 Takeaways podcast, which features short, memorable conversations with the world's best thinkers, business leaders, writers, politicians, scientists, and other newsmakers. Each episode ends with the three key takeaways that person has learned over their lives and their careers. And now your host and board member of schools at Harvard, Princeton and Columbia, Lynn Thoman.

0:00:23.9 Lynn Thoman: Hi, everyone. I'm Lynn Thoman. Welcome to another episode. Today, I'm delighted to be here with former Australian Prime Minister, Kevin Rudd. I'm excited to get his views on the US, China and global issues from his unique perspective as a former Prime Minister, Foreign Minister, US ally and someone who has also known and worked with China's leader, Xi Jinping, for decades. Kevin, welcome and thanks so much for being here today.

0:00:52.5 Kevin Rudd: It's good to be with you, and I look forward to a conversation, particularly, on China and how it impacts the United States, and how we carve out a future, ideally, for both countries.

0:01:02.2 LT: I am envious that you're in Brisbane, Australia. I've been to Sydney many times, and it's beautiful, but I have not yet been to Brisbane.

0:01:10.2 KR: It's not a bad part of the world, Australia. If you look at the map, geographically, it's about the size of the United States, minus Alaska, except we're only 25 million people. Our major cities are sprinkled up the east coast, and where the major cities are at least 1000 miles or so apart. My own home state of Queensland, of which Brisbane's the capital, is a couple thousand miles long. And so, as I said to George Bush once, "That's three times the size of Texas, and with about as big a sense of humor."

0:01:37.0 LT: Kevin, as a long-standing American ally and someone who has lived in the United States and worked with the US as Foreign Minister and then Prime Minister of Australia, how do you see the US?

0:01:51.4 KR: Look, you've been through the valley of the shadow of death, to paraphrase the 23rd Psalm. All of us held out breath on the 6th of January, all of us, your friends and allies and partners around the world. Could this be happening? But that's a single event, which occurs within the framework of America dealing with extraordinary domestic political convulsions over the last four years, the unexpected nature of the Trump win, and what, in fact, that meant in terms of American nativism, how Trump took American nativism, which actually has always been part of the American political tradition, going back into the 19th century, but how Trump took that and then translated it into a new form of American isolationism, protectionism, nationalism and unilateralism, which made life extremely difficult to navigate, and not for America's adversaries so much, but for your friends, partners and allies around the world.

0:02:46.4 KR: I think there's been a collective sigh of relief around the world at President Biden's election win, in terms of the end of the madness, but at the same time, for those of us who are experienced in political and public policy process, we do understand the magnitude of the challenge, that's the domestic American political and economic rebuild, plus now rebuilding America's power and influence in the world, and to be done simultaneously. Fortunately, I think your president has got a first class team around him, they're women and men who know what they're doing, so the mood is one of relief that the madness is gone, understanding of the degree of difficulty of the challenges faced at home and abroad, but a sense of confidence in the caliber of the team, that these are really smart people, and they're not just a bunch of mindless ideologues.

0:03:36.6 LT: You are in a unique position as a China scholar, a fluent Mandarin speaker, and someone who's worked with China and Xi Jinping for decades as a diplomat, a Member of Parliament, Foreign Minister and then Prime Minister of Australia. What is Xi Jinping really like? I asked a similar question of Ambassador Michael McFaul, who was ambassador to Russia. His answer was really interesting. He said that Vladimir Putin is very much the KGB agent who likes to get inside people's heads, and that he's seen him try to trip up then Vice President Biden. And what he did to Germany's Angela Merkel was even worse, knowing that she had a fear of dogs, Vladimir Putin once had his dog, Konni, join the meeting and jump up on Angela Merkel's lap, deliberately to intimidate her. My question to you is, you've known Xi Jinping for decades. What insights or personal stories about him can you share?

0:04:42.7 KR: There's a thing to bear in mind, which is the difference between Soviet statecraft and Chinese statecraft, and the Chinese, and therefore Xi Jinping, the deep view of the Russian Federation today is that it's a country and an economy in decline, and that the Soviet Union's and now Russia's international behaviors are not commensurate with what they would expect of themselves as an emerging great power. They're very happy to work with Russia, and for Russia to do a lot of the heavy lifting on complex, difficult and controversial areas, and the level of strategic condominium between the two is unprecedented, at least since the beginning of the Sino-Soviet split back in 1960. But there are still two different worldviews, and the Chinese worldview of Russia is still a deeply pragmatic one, and what they can do together. As for Xi Jinping, the first thing to understand about him is that he is a Communist Party blue blood. If the Communist Party had a Brahmin league, coming out of the Ivy League universities in the United States, he would be in I wouldn't say all the Brahmin league secret societies, but he would be up there.

0:05:51.3 KR: Within Chinese Communist Party politics, there's essentially two traditions. One's called Tai Zi Dang, which are princelings, and the second grouping is around the Chinese Communist Youth League, which is more meritocratic, Qing Nian Tuan. And so, one is hereditary and the other is meritocratic. The technocratic meritocrats who came to the fore during the period-Zhao Ziyang, Hu Yaobang, then Jiang Zemin and then Hu Jintao- were basically steering the country in a fairly pragmatic, technocratic, reformist direction. But the princelings have a deep view, which is being sons and daughters of China's revolutionary leaders, and his father, Xi Zhongxun, was a member of Deng Xiaoping's Politburo after the purge of the Gang of Four, following the tumultuous events of 1976 and 1978, this group have a different view of both ideology and the centrality of Marxist-Leninist ideology of the Party's long-term purpose in running China, and to sustaining, therefore, it's called the Leninist mission of the Party in the long-term future, rather than seeing that the democracy is its ending point.

0:07:07.4 KR: That's not a nice, neat summary along the lines of Putin unleashing dogs on Angela

Merkel, a story that I'm quite familiar with, but it does give you a sense of a worldview from which he comes, which is one which believes that there is nothing inevitable about the decline and fall of the Communist Party, that Fukuyama was wrong about the end of history, and that he's out and determined to prove that's the case.

0:07:32.0 LT: Can you talk about how powerful he is and how he has amassed the immense power that he has now?

0:07:39.2 KR: Xi Jinping is a study in a masterclass of Chinese internal Machiavellian politics and you'll be pleased to know that Machiavelli is not a uniquely Florentine phenomenon. You may be distressed to know that the school craft of Machiavelli is already reflected in Chinese realist political text which go back probably 1500, 2000 years before Machiavelli put pen to paper. And Xi Jinping grew up having experienced the rough edge of Chinese internal Machiavellian plays against his father, who was purged on a number of occasions. And Xi Jinping, himself, was a victim of the Cultural Revolution, having been sent down to the countryside to work with peasants for quite a number of years in his teenage years, and effectively undermining the regularity of his university education. For those reasons, he himself is a masterclass in the arts and crafts and some of the high science of political survival within Chinese domestic politics.

0:08:39.6 KR: So how has he gone about it? A number of ways. One has been through this extraordinary anti-corruption campaign, launched in 2013, aimed at preventing the Chinese Communist Party from going down the same road as the Communist Party of the Soviet Union. He said in one of his first speeches, "If we remain as corrupt as the Soviets become, we will go the same way as the Soviet Party." This was not just, let's call it a Sunday school approach to cleaning up the Party's purity. This was also a deeply-Machiavellian campaign to take out a series of his opponents as well on the grounds of corruption, and one by one, they fell, like ninepins. So that's been one way in which he's done it. The second is that Xi Jinping has, over the course of the last seven years, sought to evolve himself in the direction of being the center of all policy action. In the Chinese Politburo, they have what they call the leading groups, the ling dao xiao zu, which deal with all manner of things across the spectrum of government, from national security, foreign policy, through cyber, through information technology, through to social policy and economic reform direction. Xi Jinping, at an unprecedented level, is leader of all these groups. He is not a step removed from the granularity of the major decisions taken. He's in the middle of it, and so he is determined not to allow anything let slip.

0:10:03.9 KR: And the final way in which he does power consolidation is by contracting the space available in China's own official media, let's call it assenting policy debate, not political debate about the future of the Communist Party, but policy debate about future courses of action on the economy, on social policy, and foreign policy, and the rest, of which there was a lot prior to 2013. And so, this power concentration phenomenon has been at work, and the two footnotes on it is that, of course, after the 19th Party Congress in 2017, in early 2018, he confirmed a formal change to the Chinese Constitution to abolish term limits for the Office of Chinese President, enabling him to remain leader for life, if he so chose, and if the party was to allow him. And the second is that the 19th Party Congress, they adopted what's called the Xi Jinping Thought or Xi Jinping Si Xiang, and you might think, "What the hell is all that about?" It's essentially establishing a new branch to Chinese ideological orthodoxy which is his own worldview, and setting himself up, like Mao, as the future philosophy king or ideologist and chief of Chinese Communist Party. He's not a guy to be trifled with.

0:11:16.3 LT: How does he see the Chinese Communist Party?

0:11:20.5 KR: He sees it as having a long-term destiny, as having uniquely delivered a unified China after, effectively, 100 years of internal disunity, starting, if you like, from the implosions of the Taiping Rebellion in the middle of the 19th century under the Qing, through to the Opium Wars, first and second, China's incremental dismemberment and colonization by what are usually called in Chinese, the ba guo, the eight imperial powers, through until the Japanese invasion, the civil war against the Nationalists and Chiang Kai-shek, finally culminating in national unity in 1949. Now, that's the Chinese Communist narrative, but there is a reasonable amount of truth to it. They did unite the country and it had been in a shambolic state of affairs for a century or so prior to that. So he concludes that the only glue capable of holding this vociferous country called China together, given all of its regional and political disparities, not to mention the areas occupied by minorities like the Uighurs is through the Leninist control of the Chinese Party State. So he therefore sees that as the great learning from history. Secondly, by studying the collapse of the Soviet Party, he understands, in his own conclusion, what must be avoided if the Chinese Communist Party is to survive.

0:12:41.8 KR: And thirdly, if you look at the detail of what he's doing with the role of the Party, both in the economy and in politics itself, and certainly, in foreign policy, you see the Chinese Communist Party having, for the previous 40 years, been, as it were, put to one side in the central policy deliberations of the Chinese leadership now being fully-integrated, and in fact, almost a merger of party and state institutions across the fabric of the Chinese public administration system, both domestically and internationally. So his surmision is that the 92 million strong Party will become the delivery agent for China becoming the preeminent global power for the future, having united China from its inglorious past in the previous hundred years, from the middle Ching.

0:13:30.9 LT: You have a wonderful analysis of Xi Jinping, with concentric circles around him in order of importance to him, with the Chinese Communist Party as the first circle, and the next one being the One China. Can you talk a bit about that?

0:13:46.9 KR: I always think it's important to understand the worldview of others, however much you may agree or disagree with it. It's how others perceive reality, and I spend a fair bit of my time trying to understand that, as far as Xi Jinping's view of the world, and the Communist Party under his order of priorities. And you're right to say that his number one priority is keeping the Party in power, but number two is to maintain and secure national unity. Why is this the case? Deeply informed by Chinese history, that dismemberment of China in the past has usually begun as a result of invasions from the Chinese periphery, either through Manchuria to the northeast, or Xinjiang to the northwest. As a consequence, maintaining this, as it were, physical national unity is not just a question of Han ethnocentrism. It's a question of geostrategic comfort, vis-à-vis having a large strategic buffer in Manchuria, Mongolia and in Xinjiang, but also in Qinghai and Tibet, against countries and region in the world which have delivered wave after wave of external invasion since the days of Genghis Khan, and even, in fact, before that.

0:15:01.9 KR: So I think that's one aspect of it. The second is on the question of Taiwan, Hong Kong, has been all about internal party legitimacy, and that is to complete the national reunification program 'Against the West'. Hong Kong was part of that, albeit a more minor play with the British, with working out particularly authoritarian direction. About the same from Beijing, there is not an

active debate every day about poor Hong Kong. There is a debate about, well, at last those Hong Kong people are doing what they're told, being loyal sons and daughters of the Yellow Emperor in Beijing, in traditional Chinese view of the ultimate center of Chinese authority, the throne of the Yellow Emperor. Now, Taiwan is incomplete national business, that is to complete the Chinese revolution of 1949 in the eyes of the Chinese Communist Party revolution is a matter of high religion, not just contemporary geopolitics. And so for Xi Jinping to be able to deliver national reunification with Taiwan as Deng did over Hong Kong, places Xi Jinping on a historical equivalent with Mao in Chinese Communist Party folklore. That's why it's so important. It's about legitimacy. It's about political authority. It's about also strategic buffers. It's a cocktail of those arguments.

0:16:19.6 LT: I think most people don't realize that. Your next concentric circle from Xi's perspective is the economy and the environment. How does he see those?

0:16:31.7 KR: After the Chinese Communist Party blew up its own credibility during the Cultural Revolution by effectively unleashing a civil war between rival factions of the party, which produced millions of people who were dead, and millions more whose lives were destroyed, and whose professional careers were upended, and then, in some cases, destroyed as well, by the time you struggle through to the death of Mao in '76, the emergence of Deng in '78, and the normalization with the United States in '79, China's domestic political and economic credibility with the Chinese Communist Party had been shot to pieces. The country was exceptionally poor. It had been through a semi-permanent revolution for the previous 10 to 13 years, if you go back to the launch of the Cultural Revolution, '65, '66, through until the final reemergence of Deng at the end of '78, and then completing that process and ideological redefinition of new directions in '82. The place was almost bankrupt, to be quite honest.

0:17:37.4 KR: So Deng worked out that the only way to rebuild the Party's credibility in the eyes of the Chinese people was to deliver people out of poverty into increased living standards across the country. And that's the essential origin of the reform and opening strategy. It was not a love for liberal capitalism. It was a commitment to, number one, in his Maslovian hierarchy, which is legitimacy of the Communist Party and keeping the Party in power, which is 'We, the people, will consent to your remaining a one-party state if you can grow this country and economy in a direction which takes us out of poverty into a decent standard of living.' And that's the organizing principle for Deng's strategy right through, really, for 40 years, from '78 through until, frankly, 2017. And then, under Xi Jinping, you see some change to this.

0:18:31.7 KR: It's important to note on the economic policy front, I won't bore you with the ideological foundations of it and the arcane internal debates within the party, these are things which half a dozen of us in the world will argue about, that are utterly unintelligible to any other normal human being. But the outer-workings of it are a bit like this: Xi Jinping, by 2017, becomes very anxious about where 40 years of market economic reforms are taking the Party, the country, the economy, the private sector, and he sees them all going down the direction of Party decay, the rise of a new corrupt or semi-corrupt entrepreneurial class, as well as China no longer being a socialist country.

0:19:16.1 KR: So the ideology of, as it were, economic correction then sets in from about 2017 on. And we've seen evidence of that. Most recently, the external evidence is what happened to Jack Ma with the suspended IPO float for Ant Financial toward the end of 2020. So why do I say that in

terms of the party's economic legitimacy priority is that it's still fundamental to the ability of the Chinese people or preparedness of the Chinese people to permit the Communist Party to remain in power willingly, and Xi Jinping in correcting that overall policy direction in order to preserve the Party from political assaults on its long-term legitimacy by a rising entrepreneurial class who have more power than most provincial mayors and governors. Jack Ma is probably worth more than your average Chinese province. But in doing that, there's a grave danger of killing the goose that lays the golden egg, and that is if you correct economic policy too far to the left, Chinese entrepreneurs in the private sector sit on their hands, private fixed capital investment begins to falter, and Chinese growth levels begin to stagnate. And that is the active current danger that they face.

0:20:34.0 LT: How does Xi Jinping see the neighboring states and the South China Sea?

0:20:39.8 KR: A bit like the question of national unity on the question of the neighboring states. Again, the Chinese historical view, deeply informed by historical experience, is that China's principal national security threats in the past have always come from the direct neighbors, whether it's Mongolians under Genghis Khan, the Russians who, under Peter the Great, carved out the Great Siberian Empire, where China reluctantly ceded to Russian control, and then the Japanese in their occupation of Manchuria. There is a term in Chinese, which is *zuo bian guo jia*, neighboring states. There are 14 of them in China, the largest number in the world for any country, apart from the Russians who also have 14. And so there is a centrality in Chinese diplomacy to maximizing these relationships, making them benign, and ultimately, compliant to Chinese interests by what I describe as economic gravitational pull, that is drawing upon ancient Chinese statecraft and notions of how the Middle Kingdom could and should behave towards its immediate neighbors, and the handling of various categories of barbarian, through to the pragmatics of realist views of international relations, which is these countries should be strategic buffers for China, not avenues of strategic threat against China.

0:22:01.9 LT: China has become a more important economic partner than the United States to practically every country in wider East Asia, but China also has territorial disputes over land or islands with many of its neighbors, including Japan, the Philippines, Vietnam, Malaysia, and India. How is China seen by its neighbors?

0:22:26.7 KR: By and large, with great anxiety. It's a product of the logic that we just discussed, which is its attitude to neighboring states, and therefore, as China's objective power increases, the balance of power improves in its direction against the United States and the rest of the world. Its foreign policy becomes more confident and forward-leaning and assertive that it actually contracts, therefore, the foreign policy space that's called the wider neighborhood. And so there is a high degree of anxiety about that. If you want the poster child of dealing with China-related anxieties, you can never go much past Vietnam as a study of a Chinese neighboring state, and major country in South East Asia, as the Vietnamese would describe you, a thousand years of trouble in dealing with Beijing. Most countries of the wider region are mindful of the power of the Chinese dragon. They're respectful of it. They will seek, privately, to balance against it by maintaining as vigorous as possible strategic partnerships, relationships, and allies with the United States and other US partners, but they wish to avoid a binary, as it were, world in public diplomacy, where they are forced to choose, on a daily basis, between Beijing and Washington because they see that as unnecessarily aggravating the Chinese. Frankly, a sophisticated American approach to dealing with the rest of Asia should be mindful of that reality.

0:23:57.7 LT: There is wide disagreement over what the future of China looks like. Some China scholars believe that China has endemic problems like the One-child Policy, which has resulted in an aging workforce with one child supporting four grandparents. And these scholars believe that the aging workforce and other factors will cause China to fail. But many others look to China's recent hyper-growth and believe that China is going to continue to grow in strength. Where do you see China in 10 or 20 years? And do you think the Chinese Communist Party is vulnerable?

0:24:37.6 KR: Both those observations are right, and we've got to have sufficient intellectual dexterity understanding China to see its enormous internal strengths, and at the same time, be mindful of its considerable vulnerabilities. It's all part of the one package. I often think there's a slightly Manichean view in the United States that China is either all-powerful, weak and about to collapse, that China is all evil, under Deng was all good. Reality is more complex than that, particularly in the wonderful world of foreign policy, where we're dealing with various shades of gray. One of China's less-debated strategic strengths is this: It has a formidable internal intellectual machinery, within the inner recesses of the Chinese Communist Party, to rigorously examine and analyze and reach conclusions on its changing external circumstances, and therefore, how to be, as it were, ahead of the curve in dealing with incoming threats.

0:25:38.6 KR: Those aren't all geopolitical. Some are climate change-related, others are domestic political, and others, frankly, go to the core of demography and the stability of the financial system, asset class bubbles, etcetera. But there's a sophisticated intellectual machinery which is permanently at work, untangling this complexity and producing a range of policy options, internally, to keep the Chinese ahead of the most recent incoming set of challenges. So that's the great unstated strength of the system, and I contrast that with the United States and most of the rest of them in the West, for whom national strategy is like a rolling three-ring circus of competing slogans between Republicans and Democrats, about whether you're selling out to China or whether you're being tough on the Chinese Communists. But they're slogans, they're not strategy. The Chinese, long ago, understood the difference between declaratory flourish and, let's call it, operational reality.

0:26:39.5 KR: On the weakness front, if I was to aggregate them, it would be along the lines of, one, the date with demographic destiny, which is the aging of the Chinese population you referred to, or in the Chinese internal, terrified dream, it's, "Becoming old before we become rich and powerful as a country," 'cause we're now down to population contraction, starting this decade, and workforce contraction size has already begun. And therefore, as a consequence, wage inflation is underway as well. The second is also the challenge I alluded to earlier in our discussion, about the ultimate dilemma between political control and economic freedom, and economic freedom for the entrepreneurial class to do what Chinese entrepreneurs do spectacularly well, work their guts out, while large family conglomerates are taking markets around the world. And whatever may be said about Chinese innovation, their capacity for immediate, commercial adaptation is huge. And they very much have taken a leaf out of the Japanese playbook of the '60s, '70s and '80s on that score. As I said, the weakness is removing too many incentives from the private sector to continue to do what they've done really well for the last 40 years.

0:27:54.7 KR: I think the third one is the brittleness of the political system. Despite all the crazinesses in the American democracy, and the crazinesses in all of our democracies, democratic elections are a bit like floating exchange rates. They constitute their own form of stabilizing mechanism for our countries. So we have democratic elections which act as a political stabilizer, which are capable of relieving internal tensions, reaching resolution and finding a way forward in

the absence of bloody insurrection, almost. [chuckle] The Chinese system, it's either full speed ahead or there's a huge blow up. And if you look at the leadership transition in China, really, since 1949, rarely has it been smooth, and often with deep, profound, political dislocations because of what's been called, in the past, bad emperor syndrome, which is, once you end up with a bad emperor, or an emperor going through a bad period, as Mao did, then everything goes bad, because no one's got the guts to challenge him. So I think that's the third vulnerability. Whereas, we have a greater capacity to reinvent ourselves, politically and economically, in what is, basically, despite all of its flaws and all of its failings and all of its short attention spans, still a fairly dynamic, liberal, capitalist system.

0:29:10.6 LT: What role do you think that the US can or should play in the world and in Asia?

0:29:17.5 KR: It must begin with a realist analysis of what constitutes strategic stability. Strategic stability may sound like a complex concept. Ultimately, it's not. It's anchored in principles of the balance of power, which we'd like to wish away if we're good little Democrats and would hope it don't exist. I'm here to tell you that, in a Leninist view of the world, the Chinese calculate the balance of power in every sector and subsector of their dealings with America across the military, the economy, across technology and all of the other matrices of power, including soft power, hard power, sharp power, smart power. You categorize it, they measure it.

0:29:57.9 KR: There'll be some in the United States who will regard this as terribly 19th century or terribly Cold War. Strategic stability, both in Asia and the world, will hinge on the continued ability of America to remain a powerful nation state, capable of bringing about an effective balance of power with the Chinese, which will cause the Chinese to conclude that they need to proceed in the world and the region cautiously. So that is as much about the continued strength of the US military as it is about the strength of US trade, investment, capital markets, technological innovation and talent, and all the things that have been drivers of America's success for the last century. So, therefore, what I'm saying to our American friends is that is the deep calculus. It won't form part of the polite dinner time conversation with East Asian interlocutors, but that's what they're all thinking.

0:30:55.1 KR: And secondly, from power proceeds influence and how that influence is given effect. The smartest thing the United States could do in terms of projecting its influence, assuming it's continuing to build or rebuild its national power, is, frankly, to open up its markets to the open economies of East Asia and the rest of the world, because the Chinese principle is one of economic gravitational pull, and that is, the size of their economy and the scale of it will ultimately suck other countries into it, to become more compliant foreign policy and national security policy actors who are sympathetic to China's interests and values. And the only thing that works against that is, let's call it the North American economies, become almost seamless in their interconnection with the free economies of East Asia, and frankly, the free economies of Europe as well. So the Biden Administration has got some difficult choices there because free trade is not a popular rallying cry within the Democratic Party and certainly within the labor unions.

0:31:52.4 KR: The basic geopolitical reality in Asia is that the United States cannot expect its Asian or European allies to put their hand on their heart and pledge allegiance to the flag and to the Constitution of the United States, and our love for American movies, eternally, while at the same time saying to all of your friends and allies, "By the way, we don't give a care about your economic futures. We expect you to all slit your own wrists in dealing with your own bilateral economic engagement with China, because we, the Americans, are your ultimate security or political

guarantee." That's not the way it's going to work. And so America needs to understand that, in fact, the key to American power in the future is, as you've been at your best in history, open your doors to world trade and to world investment, and the rest, and you become this enormous magnet for talent and for capital and for entrepreneurialism and innovation, and all the rest of it. And frankly, no state system can ever replicate that. It's when you try to be something else, which is semi-closed, and building not just a Mexican border wall but a whole bunch of other internal walls, around this, that and the other, that you begin to alienate and isolate the region.

0:33:01.9 LT: It seems like, as the world gets more and more interconnected, that we need global cooperation more than ever to deal with global issues like the COVID pandemic, or human rights, or trade, you mentioned, climate, refugees. How do you see global cooperation? How can we strengthen global cooperation?

0:33:24.8 KR: It's always so important to learn from history. How did we end up with a semi-functioning, multilateral rules-based order after '44, '45, coming out of the Bretton Woods Conferences of '44, the San Francisco Conference in '45, giving us the essential architecture of what we call the US-led, liberal, international rules-based order? It always has two elements to it. One is hard power, and that has been America's. America in power has laid the fulcrum of the post-war multilateral order. America convened Bretton Woods. America convened San Francisco. America... The United Nations, the World Bank, or the IMF, or the World Trade Organization would've never been created in the absence of American power and leadership. That's just kind of the reality.

0:34:16.7 KR: The second part of the reality is the extent to which the multilateral system, which has grown up as a result of that across the length and breadth of global governance, is then fully-empowered to do its job by the United States within the rules which the US, its friends, partners, allies, and others have framed together, whether that's in world trade, world investment flows, intellectual property protection, whether it's in telecommunications, governance, whether it's in the new set of global conventions which will be necessary for artificial intelligence and warfare, future of nuclear arms proliferation and nuclear non-proliferation, and weapons of mass distraction, or the global climate emergency. The question is whether the United States and its major partners and friends and allies make the machinery of global governance then work, and that requires talent, funding and political commitment.

0:35:16.8 KR: And finally, one of the American most recent innovations, the G20, which I'm a cofounder of myself, bringing together the 20 largest economies around the world as the premier institution of global economic governance, using it as a clearing house to, as it were, unclog the arteries of the formal multilateral machinery is a really important opportunity for the future of the system. So it's a cocktail of these things, American power and maintaining it. Secondly, allowing the multilateral system to work with resources and political commitment and leadership. And thirdly, where it's not, using other multilateral instruments to blast it open.

0:36:01.6 LT: Before I ask you for your three key takeaways, what do you think United States' strategy towards China should be?

0:36:10.1 KR: I've recently penned a piece in Foreign Affairs Magazine called 'Managed Strategic Competition', and it's based on a lot of reflection. I haven't just pulled it out of my head. When I left the prime ministership of Australia and went to Harvard, and worked at the Kennedy School for a while, I produced an analytical paper on what I call the concept of constructive realism, how can it

be realist about power in the world but constructive about forms of engagement within the world, which maximizes the collaborative space as well, and is dealing with real hard power problems on the way through? And so this concept of managed strategic competition comes from that, and essentially, the argument's pretty basic. Within a single joint strategic framework between China and the United States at a level of high diplomacy, we would agree on these finite set of the single most sensitive no-go zones in the relationship, most spectacularly, Taiwan, and have an internal set of operating protocols within the system, whereby we avoid taking each other to the brink. That's what I describe as the deep Cold War learning coming out of the Cuban Missile Crisis with the Soviets in '62, '63.

0:37:22.9 KR: Then there's a second, much bigger category of what I describe as open strategic competition and for foreign policy influence, for the other domains of military capability and military projection, but most critically in the economy and trade and investment and technology and artificial intelligence and the drivers of the future, as well as, of course, the ideological debate between the two forms of world order which are now on offer: Authoritarian capitalism versus liberal capitalism. But finally, the third element of this strategic concept is strategic cooperation on climate, on pandemics, on global financial/debt management so we don't end up with a deep and irresolvable global debt crisis, which triggers a further general crisis in the global economy. Some would say, "Well, that's not particularly rocket science." It's not, but what I'm trying to do is to advance a notion of managed strategic competition, which has those three elements to it, which is a joint framework for managing the relationship, as opposed to unmanaged strategic competition, which is like a continued rollercoaster ride on the Donald Trump memorial rollercoaster, which could spin off at any time into outer space as the rollercoaster machine fails to take the turn. That's my overall recommendation, which is why I put pen to paper in this 4000 or 5000 words in Foreign Affairs.

0:38:46.4 LT: Is there anything else you would like to discuss, that you haven't already touched upon?

0:38:51.6 KR: I think we're just about done. I'm happy for the final tripartite question.

0:38:55.9 LT: Final question, what are the three key takeaways that you would like to leave the audience with today?

0:39:01.2 KR: 21st century, spend more time understanding how the world is viewed from Asia, not just from Beijing, but from Beijing, and from Tokyo, and from Delhi, and from Southeast Asia, because the center of global economic gravity has moved there. That's the first point. The second, I think, is for Americans looking at the rest of the 21st century, a lot of the political rhetoric out of Washington, still sometimes Republican, sometimes Democrat, seems to still assume that there is a fundamentally-unipolar world, and that is coming out of America's triumph from the Cold War in 1991. That's not the case. The balance of power relativities between Beijing and China are closing, and we are now in the decade of living dangerously, where you'll start to see overtakes, including China becoming the world's largest economy, surpassing the United States by the end of this decade, the GDP measured at market exchange rates.

0:40:07.6 KR: To understand, in Beijing, this balance of power calculus is the fundamental building block for China's analysis of how and what policies it should pursue with and against America and the world. And the consequence of that is, if America's serious about being a global

and a great power, superpower, or preeminent power in the 21st century, rebuilding the fundamentals of American domestic strength, politically and economically and technologically and in infrastructure. That's where this whole strategic competition ultimately goes. And my final point to take away is this, I know enough about America to know that, in a post-'45 period, most of the time, America, being ally-rich, it probably has somewhere between 44 and 46 treaty allies around the world, China has one that's called North Korea. Look after your friends and allies. And for the first time since 1945, the wisdom in Washington will be to understand, given these balance of power dynamics that I've just referred to, that America now needs its allies more than ever before, simply to achieve a collective critical mass in economic, military and technological strength, which will cause the Chinese to conclude that they are dealing with a bigger entity than that made up of the 50 states of the Union.

0:41:38.9 LT: Thank you so much, Kevin. This has been terrific. Thank you for your insights on China, on the US, Asia, and the world.

0:41:48.2 KR: I'm happy to join you, and I hope it's been of some interest to your listeners, and to all our friends across the United States of America. I look forward to being back among you soon as President and CEO of the Asia Society on Park Avenue in New York.

0:42:00.5 LT: I look forward to seeing you in New York soon. Thank you so much.

0:42:05.6 S1: If you enjoyed today's episode and would like to receive the show notes or get new fresh weekly episodes, be sure to sign up for our newsletter at 3takeaways.com, or follow us on Instagram, Twitter and Facebook. Note that 3takeaways.com is with the number 3, three is not spelled out. See you soon at 3takeaways.com