



DAVID SMITH (GRAB)

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Although Trump's leadership has been very poor, it is possible that the same outcome could have happened with almost any other president, because there would have been very similar problems around malfunctions with testing, and around failure to cooperate between state and federal governments.

So the United States, as a whole, is not looking very good at the moment.

I would say from the perspective of the rest of the world looking at China; China doesn't look that great either.

As much as China is trying to take advantage of this at the moment, it's always going to be the country that was the source of the outbreak; the country that misled and obfuscated at the beginning of the outbreak; regardless of whatever else it does after that, it is always going to have that stigma.

So I really don't think that either country has come out on top, although one interesting thing that we've observed, is how similar the two countries rhetoric about each other really is.

And looking at that from another country, it is like watching two kids in a schoolyard. It is a really, really unedifying sight to think that these are the two most powerful countries on earth.

BILL BIRTLES

Hello and welcome to everybody, to this Sydney Ideas conversation. My name is Bill Birtles, I'm the ABC's China correspondent up here in Beijing.

Today we have a rather timely discussion. I'm joined by three experts who bring a lot of experience and a lot of interesting perspectives to this massive issue: China, the United States, the rivalry, and where Australia fits into it.

I have Associate Professor Jingdong Yuan, a specialist in Asia-Pacific security, Chinese defence and foreign policy.

We also have Dr David Smith, a United States expert, with a focus on the US political relations; you'll no doubt be having a lot to say given what's been going on in the US over the past few days.

And we have Dr Minglu Chen, a lecturer in government relations and a China specialist.



TRANSCRIPT

Sydney Ideas podcast

Geopolitics in a post-pandemic world

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Obviously, 2020 has already kicked off with the coronavirus pandemic. We have, in the past week, the Chinese government announcing new national security laws for Hong Kong. And now in the past few days, we have massive unrest in the United States. Clearly, the relationship between the two biggest powers is not getting any better, and it's not going to stabilise anytime soon.

So, I'd like to start, I suppose with Dr David Smith, because the US is what everyone is talking about at the moment. The past few days, what we've seen, obviously started with the death of that African-American man George Floyd.

But I just want your thoughts on whether or not the anger and the scenes we've seen across American cities is broader than that. What do you think is at the heart of so much discontent in America? And what does this mean for Donald Trump?

DAVID SMITH

Yeah, so the death of George Floyd and the continuing problem of police brutality that happens with impunity in the United States – that is the major issue behind all of this.

But it certainly takes place against a backdrop of much broader frustration, with 40 million unemployed in the United States; with a really frustrating few weeks of lockdown, which despite that, the United States still has far more deaths and infections than any country in the world.

And I think that what we're seeing, particularly over the last few days, is just a total breakdown of authority.

Tonight – or today our time – Donald Trump invoked an 1807 law, allowing him to use the military in the district of Columbia to clear protesters. Which he did in order to go and do a photo op in front of a church holding a bible.

Now, this is not a sign of strength from Trump. Those of my colleagues who study authoritarian regimes know that when you're resorting to using the military, that is actually a sign of weakness. That's a sign that you have lost control.

And the Trump presidency was the culmination of decades of increasing partisan polarisation in the United States. Half of the country has never really accepted Trump as a legitimate presidential figure. He didn't win with a plurality of votes in the election. So his authority has always been very, very weak.



So, there's this enormous confluence of frustration over the worst pandemic and in at least 50 years, probably in 100 years; this continuing, unresolved problem of police brutality in America, and just levels of trust in the United States government that are somehow even lower than they were before.

BILL BIRTLES

Minglu Chen, what do you think Xi Jinping, and the leaders of China – the mainly older men who run China; but also, you know, the 200 or so in the Politburo below them.

These are people who have spent decades versed in Marxist sort of socialism with Chinese characteristics ideology. There's always a bit of a debate about how much they actually believe all this sort of stuff. But you know, I'm keen to throw that question to you. But what do you think they make of it when they see these signs, these scenes in the United States?

MINGLU CHEN

I think probably for them, this is an opportunity to again, demonstrate the superiority of the socialist system in China. That actually explains a lot of what people see as more and more offensive behaviour of the Chinese authority.

As to the riots in Hong Kong and the nature of the security law, I think with this issue, it has a much profound history behind it, because the security law is not something which came up all of a sudden, over the past week or so. It has been an issue under discussion for almost 20 years.

I don't know whether people will remember this but in 2003, there had been a large scale demonstration of the Hong Kong people, who took it to the streets because they were not happy with a version – a draft of the security law – drafted by the local legislative of Hong Kong.

I guess, I see the central government in China kind of losing their patience over this long wait. So that's what's happening on their side.

BILL BIRTLES

I might bring in Jingdong Yuan here because, for the best part of the last year, or certainly in the second half of last year, when Hong Kong kicked off, you had the US quite reluctantly at first to get involved to sort of publicly criticise – Trump himself actually held back a lot.



But eventually the push for the Hong Kong law in which the US would threaten to withdraw its special recognition of Hong Kong's autonomy; eventually that got up in the US, Trump approved it. And now we have Mike Pompeo just last week, I think was last week, coming out and saying, look, we no longer recognise Hong Kong as autonomous and so the US will start taking actions.

Professor, Yuan, I'm kind of one wondering, so far, from what the Trump administration has announced, do you think China would be worried at all about concrete US actions regarding Hong Kong? And just the second part of the question, given the chaos in the US, do you think that weakens the American ability to do anything about Hong Kong?

JINGDONG YUAN

Well, I think if you, if the Chinese had been watching what Trump has been saying and doing over the last three and a half years, so there's always a gap between the very strong and sometimes very strange rhetoric and actual actions.

And I think when the Chinese observe the early days, the Trump administration, especially Trump himself threatened to closing the borders, expelling you know, illegal immigrants, and then American court system intervened.

So there's the American system of balances and checks and pretty much can put something constraint on what President Trump's saying.

At the same time, I think over the last few months, of course, you see a steady escalation of most rhetorics, and then probably movement toward some concrete although very still not very well-defined, and quite limited, actions.

For instance, the American government is indicating or hinting that its going to screen and probably, well, cancel the visas of about 3,000 Chinese students who have connections with the Chinese military academic institutions.

And to what extent that will, and can be implemented, remains a question. So at the moment I think the Chinese government is just responding in raising the voices. You see, with regard to the US comments and Pompeo's threat to cut off Hong Kong, special treatment.

You've seen three Chinese, several authoritative voices from the Hong Kong affairs office from the office in Hong Kong from a people's elite. So they basically, in various ways reject the American sort of comments and also hinted China's reactions and perhaps their own punitive measures; countermeasures against Trump.



BILL BIRTLES

Now, I want to throw it back to coronavirus because it's almost been forgotten in the past week or two, given what else has been going on.

And, you know, journalists we do love grand narratives and broad sweeping storylines. And so I'm going to throw out one to David Smith.

Coronavirus. Has China come out on top compared to the US in the general response to it; as in which country has come out better – has China won?

DAVID SMITH

That's a very difficult question and I don't think that either of them have come out of this particularly well.

I think that we're going to need more time to be able to tell who ends up on top eventually if either of them end up on top. I would be completely prepared to say that the situation is, they're both losers, at the moment.

Certainly, the US hasn't really managed to elevate itself above China in any way. The response to the coronavirus has exposed all kinds of weaknesses in the United States.

Although Trump's leadership has been very poor, it is possible that the same outcome could have happened with almost any other president, because there would have been very similar problems around malfunctions with testing, and around failure to cooperate between state and federal governments.

So the United States, as a whole, is not looking very good at the moment.

I would say from the perspective of the rest of the world looking at China; China doesn't look that great either.

As much as China is trying to take advantage of this at the moment, it's always going to be the country that was the source of the outbreak; the country that misled and obfuscated at the beginning of the outbreak; regardless of whatever else it does after that, it is always going to have that stigma.

So I really don't think that either country has come out on top, although one interesting thing that we've observed, is how similar the two countries rhetoric about each other really is.



And looking at that from another country, it is like watching two kids in a schoolyard. It is a really, really unedifying sight to think that these are the two most powerful countries on earth.

BILL BIRTLES

Yeah, Minglu Chen, you've been monitoring the Chinese domestic discussion about coronavirus over these past few months about the US.

Let's not forget that if you go back to late January when all this was kicking off, there were western media articles with people saying, is this Xi Jinping's Chernobyl moment – is this China's Chernobyl moment?

And now no-one's talking like that anymore. Can you kind of give your thoughts on how the domestic narrative is running here in China – about both China's coronavirus response, but also what the US and other countries overseas have been doing?

MINGLU CHEN

I was actually in China in the beginning of this year, so I kind of witnessed the whole thing coming up.

I think, at the beginning, there has been a lot of frustration among the Chinese people, which you actually see if you are a Weibo user – that commonly shared feelings of frustration is very strong on Weibo.

That kind of indicates, I agree with every single word that David was saying just now, I don't think China was doing well in any of this, particularly in the early stage. The covering up at the beginning; the belated measures that the local and the central government was doing and for some stage, they're having a lot of local competition.

And each provincial government was kind of each for their own; and eventually the central government came in to intervene right; but this is a pattern as a China scholar, we have seen with many issues many similar incidents, right?

There has always been this kind of central-local dichotomy, right?

If an incident happens, it probably would get worse and worse. But before it gets out of hand, the central government would intervene. Right, then eventually the problem would be solved.



And it's, eventually, the rhetoric among the Chinese people have changed, because this kind of measures don't really tarnish the reputation of the central authority.

Because when it came to intervene, everything was kind of put back to track. With China, I would say the challenge is still not over, despite what China and the Chinese people might think, because we really start to see the impact of the virus outbreak now on the Chinese economy.

BILL BIRTLES

Yeah, what you're saying about China's economy – over here, it's, well, it seems to be, in some ways a few steps ahead of where Australia is at, but in other ways, perhaps not, and I suppose you might be referring to the factories and the exporters who are really copping it now.

MINGLU CHEN

So last week, one of the most important political events in China just took place right, that was the meeting of the two sessions, the People's Congress and the People's Political Consultative Conference.

During this meeting, it was quite surprising, right? Normally, this is the occasion when the Chinese government set its goal for the coming year; the economic goal for the coming year.

But this time, it didn't do so. And, it was for the first time in, actually about two decades, that the Chinese economy had a contraction. So that's really not looking very good at all. And I think the harder days are still yet to come.

BILL BIRTLES

We had a few pre-event questions. A question I get a lot over here about coronavirus, is do we know the true death rate as opposed to what the authorities here in China are telling us?

Let's say, Jingdong Yuan do you have a perspective on the death rate – why it is so much lower in China than the US and Europe? And whether or not the figures can be trusted here?



JINGDONG YUAN

Well, I think there are maybe a few issues here. One is obviously, while people are suspecting the, whether this is a true figure or not? And certainly, people have various reason to believe that that is not true because, especially when China was the origin of this pandemic outbreak, so that's one.

But for the true numbers to come out, you need to have, you know, you do a number of things, and but I don't know if the government is willing to allow that to happen.

But secondly, I think also the reason that the number has not been extremely high could be, that after late January, when the central government just introduced draconian measures to have an entire city locked down and then mobilised.

I think what the central government like China can do, is to mobilise resources from other provinces and municipalities to send in thousands, tens of thousands, of medical personnel and the medical equipment to Wuhan and set up, you know, temporary hospitals, quarantine people, and some of the measures you can't imagine that can be implemented elsewhere in the world.

But the Chinese government, various levels of government, down to the neighbourhood watch groups like resident committee, so they all enforced a strong, very strict quarantine.

So that may help prevent the spread of the disease and therefore keep; help keep the death rate from escalating. So here you get a contract certainly in the US. I mean, it's difficult to impose that kind of control.

And then, even though a couple of months after what had happened in China – I mean, Trump, who was really of two minds, whether economy should be the first priority, or should the US impose and how to impose because as a federal system, and states have their own authority. You know you still they're quite different.

BILL BIRTLES

It just cut out for a moment. I'm gonna take another pre-event question. I'll throw this one to David Smith.

What role does the US play in a post-COVID world. It has up until now acted as if it existed in a bubble controlled by realist theory. However, the rest of the world including China has been playing by institutional principles, such as international organisations like the WHO.



So basically getting at you know, we saw Trump this week or last week say, look, we're cutting all ties with the WHO. He's not a big fan of the WTO either.

DAVID SMITH

I think the first thing to keep in mind is there's always a certain degree of instrumental use of international institutions by the major powers.

One of the reasons why, for most of the time after World War Two, the United States was very much playing by institutional rules, is because the United States wrote those rules.

And those rules really worked for the US. One of Trump's major messages in the 2016 election campaign, was that it's just not working anymore for America. And now all of these other countries are taking advantage of America through the institutional rules of the game.

Whether he was right about that or not, is a different question, but it certainly resonated with people. And in fact, by the time of the election, basically every candidate had said the Trans-Pacific Partnership is a bad idea; current trade deals that we've got are bad. So you know, he had a lot of popular momentum behind this.

Now, whether this actually means that the United States is going to withdraw from these institutions in an irreversible way, I think is an open question. So, it's entirely possible that if Joe Biden gets elected president, then the United States will reinvest in some of these institutions, possibly.

But I think that it is also the case that a lot of the whole world's institutional framework of cooperation; things like the World Trade Organisation, even the United Nations – I mean, these all reflect that immediate post-war order in which American power was so unchallenged, and there was such a big gap between the US and its other political and economic rivals, and that world has fundamentally changed.

The US can't just dominate the world, in the way that it used to. And that's going to be the new context; that the United States, it might be able to work with these institutions, but it won't be able to dominate them in, in the way that it used to.

So whatever world we're heading towards, I don't know if the US will reinvest after Trump's gone; if Trump goes in 2020. But I think it is going to look different from how it looked before.



BILL BIRTLES

David, I just want to add one question there. Let's bring it to Australia. The idea that the US has Australia's back. Do you think that is something Australia can count on, not just in the Trump era, but in the years ahead?

DAVID SMITH

I think that this in some ways is something that we try not to think about very much, and I think that in many ways, the view in Australia is not just that we have the US security umbrella; but really that we're far enough out of the way that it's never going to be used.

I mean, this is very much New Zealand's view that, well, we're not we're just not going to get into a military entanglement that is actually going to require us to need powerful allies.

And I think that the thinking is often the same in Australia. That we don't seriously think Australia is, on its own, going to get into some kind of military conflict with China or Indonesia.

So, we like to think theoretically, the US has our back but on the other hand, we also think we're probably never going to use it. And because of that kind of ambiguity, I think that Australian governments will shelve this as a theoretical question, thinking about, okay, maybe we wouldn't actually be able to rely on the US having our backs when it counted.

Maybe the kind of mood that put Trump into power would act as a constraint on an American president acting to help Australia, but because we think it's such a remote possibility that Australia would actually need that help of a major ally, we're perhaps content to leave that be as a theoretical question we never really have to think about.

BILL BIRTLES

I'll move on to another pre event question. I might throw this one to Minglu Chen.

We saw – when was it two weeks ago I think? – the Chinese government confirmed that it was putting huge tariffs on Australian barley imports. And pretty much the next day it also confirmed that it would start taking American barley imports for the first time.



It looked pretty clear that this was the Chinese government trying to fulfil the terms of that phase one trade deal that it did with Trump, where China agreed to buy a huge increase in agricultural products in exchange for basically Trump alleviating the pressure on market access.

Anyway, overnight, we've seen some interesting reporting – just as an aside – that now some figures in China are threatening to tear up the phase one trade deal if Trump doesn't stop insulting China at every turn.

So, that's sort of an area of complication between the US and China. But on the Australia issue of the barley tariffs. We also saw restrictions on beef exporters.

So we're seeing for the first time, real tangible economic pressure on Australian exports to China, even though they're the minor exports. They're not things like iron ore.

So my question, I'll throw to Minglu is, should Australia or could Australia – will Australia, I suppose – will Australia sacrifice its sovereignty, democracy and values for the sake of a good economic relationship with China?

And if so, to what extent do you think Australia would need to adjust its values in order to economically reap a better relationship with China?

MINGLU CHEN

I don't think it would be an issue, it's not even a question for Australia, to abandon its democratic values in order to please China.

But I do see there's already [a] size of Australia kind of softening, its China's policies. I think recently, Scott Morrison just said, Australia would not consider imposing sanctions on Chinese officials for the passing of the Hong Kong security law.

My personal interpretation is, this is one of the ways to kind of show we have now a more, a softer attitude, which probably – unfortunately, China does have a lot of leverage economic leverage over Australia and this is something Australia will probably face even more.

Currently, China has not put any sanctions on Australia iron ore but the fact that the Chinese economy is declining, and for the first time, we see on the economic traction, which means a lot of factories are not running anymore.

So naturally the Chinese need of Australia and iron ore would decline. So this, even China does not intentionally do so, I think that will be a huge blow on the Australian economy.



So I think Australia probably on its side will have to consider how to strike a more sustainable balance between its security concerns and its economic interests.

BILL BIRTLES

Jingdong Yuan, I just want to throw it to you. What's your view on that? Will Australia have to; well to balance the relationship with China to the point where Australia can still, you know, make a lot of money selling stuff to China without, you know, without sort of having a relationship that puts that at risk? What does that tangibly look like in future years?

For example, when there are issues in Hong Kong; when there are issues in Xinjiang, when there are various, when there's pressure from the US for Australia to go into bat for Team America in its disputes with China – what would it tangibly look like for politicians and, you know, prominent figures in Australia to balance that relationship with China, to a point where we can still trade significantly with China?

JINGDONG YUAN

Yeah, I think a challenge for Australian government and for politicians on both sides of the aisle. As you know, how do you balance economic benefits and your political principles and your security concerns?

I think one thing that the Australian government can do or can avoid doing is not to be perceived as a deputy sheriff for the United States. So you don't have to be, you know, everything trying to align or even running ahead of the US union in terms of, you know, making very public and strong criticism of China.

But what Australia can do is, as a middle power, it should leverage your diplomatic resources and to mobilise multilateral institutions and to frame a lot of those questions as what the region and you know, for instance, in the Pacific in terms of security and prosperity, now, what should be the proper behaviour and so forth – to be critical of China, where it is against the principle of multilateralism, and to be equally critical of the United States, when the US is threatened to withdraw from WTO or, you know, WHO, and so forth, to undermine multilateral institutions.

But with regard to the potential economic, you know, what China can do is; I think there are some limitations to what China can do in certain areas. And China can do deals in terms of importing of wines or imposing tariffs on certain products.

But even with China's economic slowdown, I think at some point with the stimulus package, when everything's back to normal, when China needs to restart economy, it will need those resources.



And so, I mean, Australia's iron ore will be a very difficult, you know, commodity to part away with; I mean you can't import iron ore from Brazil or other sources, but that's just very difficult. And some other kind of a trade arrangements or long term, they have contractual sanctity.

Even with regard to Chinese students and tourists. I mean, the government cannot say, you can't go to Australia to study you have to go to somewhere – you know, it's up to the students, their family as to where they choose to study.

So there's a limited scope. And plus, all these are not cost-free. I mean, you can inflict economic pains on your suppliers but at the same time, you also suffer from perhaps increased cost, delay of supplies and so forth.

But I think the bottom line for Australian government, so they can still uphold the principles but can do it rather smartly. Instead, be projected unilaterally doing something with vis-a-vis stand up against China, then to mobilise the multilateral forces operate within multilateral institutions and for the good of the region as a whole.

BILL BIRTLES

David Smith, I want to bring it back to you because we're talking trade.

Where do you see the trade war between the US and China going? And also to the technology war – the US in the last couple of months with all this coronavirus stuff going on, was actually taking quite a few measures; new restrictions on Huawei for sales of chips. We had something recently, I think, it was this week about the US trying to; or some sort of bill to prevent American institutional investors from investing in companies linked to the PLA.

So there's a lot going on with this whole trade war thing; it's not over by any means despite that, that phase one deal. Where do you see it going?

DAVID SMITH

Yeah, this is interesting, the way that the technological aspect of it has been ramped up. Because in a way that gets to the longer term core of what this is really all about, in terms of the competition between China and the US.

A lot of Trump's allies who wanted him to take a hard line on China, were actually very worried by the particular approach that he took during the trade war. And Joe Hockey, who was Australia's



ambassador to Washington, back in February of last year, said that he was worried that Trump would settle for a victory, which was just about the trade deficit, and nothing else.

And even though the deal that the US reached with Beijing wasn't really a victory for anyone, that's essentially what happened. There was this really single-minded focus from Trump on the trade deficit. That, above everything else was, what he cared about. He really viewed it almost as theft; that China was selling so much more to the United States than the United States was selling to China. It was this really, kind of 18th century or 17th century view of trade.

It was very hard for Trump's allies to get him to focus on what they saw as the more important issues which were around technology, and which were around structural issues to do with the amount of government intervention in the Chinese economy.

Those issues during the trade war, were never really touched. And it's really interesting that now with the trade war on hold, these technology issues are actually coming back in another context.

So I don't know where this is going. I've got some sympathy with the argument that fundamentally, the Trump presidency has been pretty good for Xi Jinping, because he's dismantled the international structures of cooperation that were being built to try to constrain China.

The emphasis for Trump was no longer on constraining China, it was just solely on this issue of the deficit. Now, if Trump loses the presidency in 2020, I don't know if the United States is going to go back to that strategic stand, which is more about placing multilateral constraints on China.

Or, I don't know if Trump has now put the United States on a completely different path. It's really hard to see exactly where this is going.

BILL BIRTLES

The questions are coming thick and fast. I've got one actually, I'm not sure who to throw it to, really. The question is about China's digital currency trials.

So basically China is trying to; the central bank is trying to create a Bitcoin-like digital yuan. I don't know if it's the first national government to try this. But I think it's certainly, it may be, or it's taking a leading role.

So the question is, "What do you make of China's push to create a digital currency, like a Bitcoin-style currency? And will the US dollar eventually lose its status as the world's reserve currency?"

Who wants to chime in on that one?



JINGDONG YUAN

Well, I don't know enough about this digital currency, but I can imagine this follows from the logic of renminbi's internationalisation over the last few years, is to try to develop a kind of a swap arrangement with some trading partners.

Because we all know the US dollar's dominance in the world. Today US economy is about 20% of the global total. For all international trade, the 60% is in transactions, are in US dollar denominations.

So obviously China wants to mitigate this situation/environment and not the least because of some of the; this fact that US dollar's dominance, gave the US government to exercise the sort of extra territorial control over a number of other things. For instance, just as David mentioned about this technological rivalry or competition in technology. Now the US government can pretty much impose on sanctions on any companies doing trade in technology with Chinese companies in the US dollar denomination. So the US, you know, in addition to the components of the technology.

So obviously for China to get off these, you know, first promote Chinese renminbi internationalisation to increase the clout of the renminbi. And a second, to kind of exclude the US from certain types of transactions, where China will exercise more control.

Just imagine the country – who decided, agreed, to take this digital Chinese currency and where it can be used? Can only be used in settle transactions, you know, purchasing Chinese commodities and goods. Nowhere else unless other countries, third parties, also accept your Chinese digital currency as the mean, settlement. So that's as far as I can, I go on this, on this issue.

DAVID SMITH

Can I just add to that? Certainly American financial power in the world, it isn't just about the role of the US dollar, though that is very important. And the US dollar has proven, to this point, very resilient as the world's reserve currency.

It is about American control of global banking infrastructure, and, of the digital infrastructure that makes transactions possible.

So exactly what JD was saying, one of the reasons why the United States can so effectively use punitive sanctions against other countries – really, looking at Iran at the moment as a major example – it all works; that enforcement of it works through American control of the international banking infrastructure.



So, it's not just the development of digital currency as an alternative to the US dollar as a reserve currency; it is also a way of actually trying to circumvent American control of that banking infrastructure.

BILL BIRTLES

David, this is probably also a question for you – should the broader international community be genuinely concerned at what appears to be an increasingly authoritarian US leadership? What's your view on that?

DAVID SMITH

Yes, I think it should be. Because I think that what is happening now is showing an administration that is fundamentally at odds with democratic values. It's an administration fundamentally at odds with what would have traditionally been considered American values.

And I mean the United States has its own history of authoritarianism.

If you think about it, the United States didn't have voting rights for everyone until the 1960s. I mean, nor did Australia; absolutely, either.

So there's often a lot of talk when people try to describe this increasing atmosphere of authoritarianism in the United States, saying this must be Russia's doing or making analogies to other countries. No, the US has its own homegrown strand of authoritarianism that has been present for a very long time and is really coming to the forefront now.

And I think that that is something that other countries have to recognise; is that the US is getting less democratic on some really worrying dimensions. Its electoral integrity is really in danger at the moment.

And, you know, when Trump is essentially claiming in advance that the 2020 election will be fraudulent; that mail-in ballots – which will be necessary because of the coronavirus – saying that they will be fraudulent, he's essentially saying if he loses, delegitimising the election in advance. That is a serious threat to electoral democracy.

The kinds of things he's been doing in the last 24 hours – that is a, that is a threat to basic liberal democracy, that is a threat to the basic political freedoms of the American people.

So I think that the international community and especially the democratic community should be very worried about this. Because it's the United States, there's only a limited amount that any leader of any



other country will ever say about it because they don't want backlash from Trump, and they don't want retaliation.

But I think that there does have to be a recognition that this administration is really currently at odds with some very important democratic values.

BILL BIRTLES

Minglu Chen, I want to throw this question to you.

How has the coronavirus outbreak affected Xi Jinping's status inside the Communist Party here, in terms of his grip on power, and also to – what's your view on the timing of the Hong Kong national security laws? Is he using this to further cement his standing?

MINGLU CHEN

I have to answer this question in different stages, right?

The first thing that came to my head is actually, I think the coronavirus really built a bigger and stronger basis for Xi Jinping's popular support. I think he's seen as a, again, a strong leader, that, within China, that was able to lead China out of this major crisis of public health – and particularly, when other countries and western developed countries, are still struggling. China is already kind of quite successful containing the virus.

So in that regard, I think, Xi Jinping still has a very strong status within China. But among his colleagues, I'm not sure. It seems like our opinions within the Chinese party state might be divided.

If you have heard, Premier Li Keqiang; what he said at the press conference last week, I think he really mentioned that China needs the world. China needs the United States. The exact words he said was, the cooperation between China and the United States would benefit both countries equally. Whereas a trade war or any kind of conflict would leave both in a very harmful position.

So I think this is – to me, this represents a group of opinion within the Chinese party state; people who are softer, who are more willing to, I mean who are less willing to adopt a hawkish position, but there is also voices within the Chinese Communist Party, who are more of hard-liners.

So I think the message to take away from this, is the party state is not monolithic. It is actually a unity, which combines different opinions. And how Xi Jinping his colleagues see him and in the future would



support or not support him really, I think a lot of it depends on how he deals with the aftermath of the coronavirus.

Now we start to see how China's earlier blame game with the United States is now really starting to harm its own reputation in the international community and also how it has very profound economic consequences.

Really, how he is going to deal with that, how Xi Jinping is going to do with mistrust among China's immediate neighbours and the wider international community will have something to do with his future status within very top leadership.

As to Hong Kong – why did it happen at this particular time? I think a lot of foreign policy decisions made by the Chinese state is actually driven by domestic concerns. Again, I was saying, currently the Chinese economy is not doing particularly well.

But earlier you mentioned that communist ideology nowadays are less relevant to China's reality. So to a large extent, the ever present task of the Chinese Communist Party is to prove its right to rule; its legitimacy. Now, the legitimacy cannot be based so much on outstanding economic performance; it still has to be based on something, then nationalist sentiment, I think is the next thing to go to.

So in the future, I just expect China's rhetoric and behaviour probably will still not going to match completely. So, for domestic reasons, China's still needs to – the Communist Party and its leaders still needs to, prove themselves as the only legitimate political force that could lead China over different crises. But I think the reality is you need to consider how to bring the economy back to track.

BILL BIRTLES

All right, we're running down the clock here, but we've probably got time for just a few more, quick questions – and I'll throw this one to professor Jingdong Yuan.

Will Hong Kong continue to be the bridge between China and the rest of the world? Or if not, if Beijing no longer cares that much about Hong Kong being the bridge, will Beijing need to find a new bridge? I'll throw that one to Jingdong.

JINGDONG YUAN

From Chinese government perspective, obviously, despite all the; what has happened over the last eight months and more recently, over the last week with new legislation – Beijing would still prefer,



would like Hong Kong to continue to play that role. In fact, it's emphasising that Hong Kong's role is not being affected by this introduction of a new law and which argues, complies with the basic law and just for stability and security reasons.

But that might not happen or can be sustained in a number of ways.

I think, to start with, I mean, this law would inject certainly uncertainties and worries in multinational corporations and doing business or setting up headquarters in Hong Kong; because they would perceive this as a different environment for them to operate in.

So they might be considering elsewhere to set up their business headquarters – in Singapore or, you know, other places. So that effectively undermines this bridge, because at the moment Hong Kong attracts a lot of financial interactions, a lot of resources and the Hong Kong dollar is convertible to a foreign currency.

But if other countries start to think Hong Kong or treat Hong Kong as just another big city in China or not even a big city – if you count the population as the criterion – and it's not really a big city; and then they might reconsider their options. So that can pretty much cut off this link between the Chinese property or wealth into Hong Kong and then convert it and you know, basically a two-way direction with outside the world.

So this bridge would be certainly severely undermined, if not completely burnt. What are the alternatives to Hong Kong: Shenzhen or Shanghai?

Well, Hong Kong has become the financial centre in Asia, in the world – one of the top three. Because due to a number of unique characteristics which Shenzhen and Shanghai do not have. So it's not a matter of just your size or your location, you can do this type of thing you know; to really establish your position, your role in the world financial world; you just need to have all the relevant ingredients. And some of these are being perceived eroded and taken away.

BILL BIRTLES

All right. We're almost out of time. So I'm going to do a Barrie Cassidy impersonation on *Insiders* and get a final thought, a takeaway; a brief takeaway from each panellist because let's bring it back to the big question.

Everybody's always talking about US or China, US or China? Who's gonna come out on top? And how's it changing? So, I'll start with you, David Smith.



DAVID SMITH

In about 15 years of studying the US, including seven years when I lived there, this last three months has been the worst three months that I've ever seen in the US on all kinds of measures, in terms of what's happening to its politics, what's happening to our society, what's happening to its economy.

And the last week, and in particular, the last 24 hours, has been the worst period that I've ever seen. So I mean, I can't comment on what direction China is going in at the moment, but the US is definitely going in the wrong direction.

BILL BIRTLES

Jingdong Yuan, any final thought about where these two massive superpowers are heading, and their rivalry?

JINGDONG YUAN

Because China has become a strong power, it needs to assert what it is considered to be vital interests for its image. So is going to enter into a very difficult period of time.

So the November elections may subtly influence the ways this relationship will be managed, perhaps not the substance. I think the substance has already in the US bipartisan agreement on the changing nature of the life relationship. But in terms of tactics approaches, there might be ways that the two, you know, Beijing and Washington, can at least minimise and manage some of the most acrimonious elements of their relationship.

BILL BIRTLES

And the final word to Minglu Chen – what do people need to know about the view domestically in China, about the narrative in China, as this rivalry with the United States continues?



MINGLU CHEN

I think nationalistic sentiments will continue to run high as long as this is a source of the Communist Party's legitimacy, we'll still hear nationalistic rhetoric from both the state and the people, right.

To a certain extent, I think that will undermine these two great powers relationship. And to a certain extent, I think the Communist Party when it's making its major decisions will be pressured by domestic society.

So, I think probably as JD was saying, maybe until after the US election, or even, maybe until much later, when the Chinese economy is starting to improve, I think the relationship will probably start to improve too.

BILL BIRTLES

Okay, well, we'll leave it there. Thank you so much to our three panellists for this discussion this morning. Dr David Smith, Dr Minglu Chen and Associate Professor Jingdong Yuan.

We didn't have nearly enough time to cover all the questions that were coming in but no doubt this topic isn't going away anytime.

ANNA BURNS (PODCAST HOST)

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