

DOUGLAS PAAL

Distinguished Fellow at the Asia Program Carnegie Endowment for International Peace

John Andrews, Author, journalist and contributing editor to *The Economist*

You mentioned Taiwan and that is a perfect segue into, let us call you, His Excellency the Ambassador to Taiwan.

Douglas Paal, Distinguished Fellow at the Asia Program Carnegie Endowment for International Peace

Thank you very much, and thank you to the WPC and the organizers for this opportunity to share the stage and there are certainly learning opportunities as a member of the audience.

I would like to start by framing my perspective on where we are with China in the Indo-Pacific today, in terms of the revolutionary challenge that China presents. I think China is now the fourth in a series of revolutionary challenges to the international system we have seen since the Napoleonic wars. In that case, it ended in the defeat of France and the rebuilding of Asia by patient and complicated diplomatic work at that time. The next great revolutionary challenge was the Fascist challenge, which was defeated in war, and again the victors determined how the aftermath would be managed. Then the Cold War came along and the Soviet Union represented a revolutionary challenge to the world, but it had an inward focus and did not really carry itself out to the same extent.

Today, we find China under the guise of revising the international system but increasingly talking about revolutionizing that system and changing it fundamentally. Unlike the previous defeated Napoleonic or Fascist forces, of the collapsed Soviet Cold War era, China today still has a foot in the world as we know it, the rules-based order, from which it has been profiting but also wants to change. I think we need to look in the long-term at how we are going to find a new equilibrium, a new way to manage these Chinese ambitions.

As a result of being a product of four decades of involvement in the international system and investment and becoming a major trading and manufacturing partner for most of the world, China has also made itself vulnerable. It has to protect those interests as it goes forward with its own ambitions. The Biden administration came to office having inherited a chaotic approach to China in the Indo-Pacific under Donald Trump. I think it was mentioned earlier today, if you recall the finger pointing that went on in Anchorage, Alaska, between the American diplomatic representatives and the Chinese. The Chinese complained that the US said it wanted to deal with China from a position of strength and derided that American position. A couple of years have passed by and the Biden administration has worked hard to reconstitute the quality of our relations to something like those that prevailed before the Trump administration came to office. We saw in the US, Japan and Korean alliance has been strengthened. The alphabet soup of AUKUS has been mentioned, and strengthening the Pacific Islands, which we have been ignoring for 20 years but China woke us up to our interests and concerns there. We have the AUKUS arrangement which I am hoping will be something material but it is still a promise rather than a reality and then there is the Quad.



Today, as Biden prepares to host Xi Jinping at the APEC meeting in San Francisco, I think he can take satisfaction that compared to two years ago in the Anchorage meetings, the United States is now in a much greater position of strength to deal with China as they go forward. The APEC meeting will make only a moment in the continuing competition with the US. Despite a slowing economy, China continues to develop unprecedented military capabilities. The US is challenged to upgrade its own military capabilities while being compelled to provide assistance to Ukraine and now the Israelis in Gaza. The US is also challenged by old habits that have not been revised to meet modern requirements. Our military industry has fallen behind and the ways of dealing with it through Congress and the Defense Department need to be upgraded. Our processes are slow, there are multiple demands on resources, domestic demand is up because the American people are tired of paying to maintain peace around the world and they want a peace dividend. All these things are putting pressure on the US in ways that make it not easy for the US to simply enter into a confrontation or the mix series of demand.

We have to find ways to chisel away at our problems in the Asia-Pacific and Indo-Pacific regions and China will work all the while to make this harder. I understand that it has announced that it is willing to host a Hamas delegation shortly. China has interests in the Middle East because they need energy from there more than the United States does but we both have an interest in keeping the energy supplies from the Middle East going forward. There is a basis for a kind of stand-off/cooperation between the US and China on restoring peace in the Middle East but that has to be explored and the way found, which is not the case at the moment. China seems to be rather eager to take advantage of the distress the Middle East is causing and hope that the US will be further distracted from the Taiwan and the set of challenges being posed by China in the Indo-Pacific.

The main area where the United States is falling behind and has not done enough to restrengthen its position again is economic. We should never have walked away from TPP in 2016 at the end of the Clinton campaign. We should be talking about CPTPP, IPEF is a worthy effort but it is not a substantial and attractive offer for the parties in the region, who have become increasingly on trade an investment with China itself. I am not optimistic that either the Democrats or the Republicans, should they take power in the next administration, would be willing to bite the bullet to deal with the economic challenges we face in the Indo-Pacific.

A word now about Taiwan, where I served as unofficial ambassador. This remains the most dangerous flashpoint in the Indo-Pacific region. Over the past year, the Biden administration has in my view, retreated from its more confrontational approach to our past agreements with China on how to manage Taiwan affairs. We had an era starting with the end of the Trump administration and through the beginning of the Biden one, where the US was pushing the envelope on official dealings with the people of Taiwan. Since May of this year, when Jake Sullivan, the National Security Advisor and his Chinese counterpart, Wang Yi, met in Vienna, the US has been walking the line more carefully. It is what I call a restoration of diplomatic discipline, which is not something you do alone, you do not just retreat and yield to Chinese demand, you pair that with an effort to strengthen Taiwan's ability to deter aggression. China's growing military capabilities cannot be dismissed but they also cannot be directly confronted except at great cost. The question is how to find the balance between deterrence and diplomatic discipline that keeps the peace in the Asia-Pacific region.

In my view, the outlook for the Indo-Pacific in the 21st century will see Xi Jinping and his revolutionary ambitions look to dominate the next decade or more, with Xi himself in charge. The US will require a mixture of discipline and deterrence, despite competition for national priorities at home and leadership in other parts of the world, and it will need a sustained, steady, measure by measure approach to the Indo-Pacific. However, I believe that the people



of China and the China we know today of Xi Jinping is not forever. As we move forward in our efforts to incentivize peaceful resolution of disputes in the Indo-Pacific and to make the alternative of using force unattractive, we should also keep the door open to the Chinese people at all times so that they understand that our competition is not with the people of China but with the behavior of a certain government in China. That they understand that if China is willing to change its behavior the US would be willing to cooperate to help make a 21st century that achieves what the Congress of Vienna did in the 18th century and what the bright men and women did at the end of World War Two to establish a way of maintaining a balance in global affairs to stem revolutionary disruption and allow us to build a peaceful future.

John Andrews

Thank you very much indeed, Doug. I note that you are not allowing Xi Jinping to be immortal, you have a time limit for him. Do you have a guess of when China will change?

Douglas Paal

I have been lucky enough to know a lot of Chinese for quite a few years and when we can get together I think they are pretty frank about the shortcomings of their current leadership. However, they are also frank about the risks of taking on the current leadership so it is a question of waiting it out and not closing doors to a more cooperative and productive future between China and the countries of the region, and the world for that matter.