

November 9, 2022 Critical Issues Confronting China featuring Lingling Wei of The Wall Street Journal

- [Dinda] They're trying to keep it going.

- [Lingling] Yeah.

- [Dinda] Some of the classes just ended. So we'll see who comes in late.

- [Lingling] I see.

- [Dinda] And quite friendly, it's a friendly one.

- [Mark Wu] Morning or good day to everyone joining us online. Welcome to the Critical Issues Confronting China series. My name's Mark Wu. I'm the Director of the Fairbank Center for Chinese Studies and many of you will know, our mission here is to support the study of China in all different elements and aspects, including but not limited to contemporary issues. And so this series though was founded by the late Ezra Vogel, along with Professor Bill Hsiao and Bill Overholt both of whom are here with us today. And the idea behind this series was to focus on issues which are at the core of what China is confronting. In other words, here at the Fairbank Center, we study lots of different areas including how history informs China studies, how the humanities informs China studies, but also one of the things we focus on is what China is facing today and what that might mean for the future of what China will face. And our mission here is to promote experience of intellectual exchange and dialogue. We believe that that dialogue is more important than ever in the times that we face today. And we believe in bringing a variety of different voices, not limited to just academia, to help contribute to that dialogue. So I'm pleased especially today to welcome Lingling Wei from the Wall Street Journal to speak with us as somebody whose voice can add to a topic that we all know China is facing, which is how China's private businesses are responding, the Xin Jinping's, state capitalism, and the growth of the new China prosperity economic model, however we may wish to phrase it. we all know this is an issue that private businesses are facing, but it's one where very few private businessmen would be willing to come speak in a Winnipeg environment. And so we've thought to ourselves, what's the best way by which we can promote that discussion? And so, well, if it's hard to get someone here to speak from a first person perspective, we do know the person that they often times are very much willing to speak to and who can provide probably as the best second person account of this as possible. And that consists of Lingling Wei. So I'll introduce her in a minute, but what I wanted to say is also the other participant, for those of you were regular attendees to this series know very well, which is in Dinda Elliot, who herself is a renowned journalist of China. And can also talk about-

- [Dinda Elliot] Old. Old.

- [Mark Wu] Renowned.

- Renowned in China, but also now, today, for all of us that sit here, to be the executive director of the Fairbank Center, and can also speak to how we think about these issues, but also a journalist's process, what they're being told by private businessmen, by regular readers and the like, and will probably be about inherited spite. We wanted to say to those of you here, we all know this issue is one that's really threatening leadership as it sets into its new term. And I think we'll hear fascinating stuff here today about these types of issues. Before I'm finally to introducing Ling, I do wanna also put it bring up all the books that we have here at the the Fairbank center and they'll finally read them. That being more particularly today's, the first I'm aware of, the eve of next Tuesday at four o'clock p.m. Gonna be talking about Economy Lecture series in particular aspect of the economy that we know is a critical one for China. And that looking at clean energy here, and that's a useful example of the sort of national studies of what we see about collaborative advantage or the ingredients we're seeing . Next week, next Wednesday at this time, we'll have Jessica Weiss which may be welcome to many of you now. She just recently served to sit in the US State Department. She'll be here to speak about the ongoing crisis over Taiwan and how to stabilize US China Relations. And then finally, I just wanted to draw your attention, for those of you who not yet aware of it the first time, this speed onto the next, conference, next week, moved to the Fairbanks Center, The Ash center, at any school, can kind of coexist as 2.0, US, China, relations in a changing world, this session will be open to those of you who are non Harvard attendees who wish to register for this, please do so since we have tremendous capacity in our venue simply for the numbers. If you're not, a Harvard employee or student please do register. These can all be found on various current events websites. And again we have lots of events, all great, next week. So it's my pleasure right now to introduce Ling Wei. Lingling Wei way is the chief China correspondent for the Wall Street Journal. She grew up in China, but her formative journalistic experience is here in the United States where she began her coverage here, in New York and earned the journalist degree at Duke, and then joined the Journal and was assigned, to basically cover charts, particularly focused on Chinese school. And so she was at the heart of those associates who would follow UN China relations. Know that Lingling and her team have very much provided a play by play coverage of what's happened overseas. And provided, unfortunately given rising tensions, she and the journalists were asked to leave China. She is now based in New York, but that has not really stopped her ability to fire these issues as closely as she has. I think, I just wonder said, I've always had that sometimes I forget and she's in, say, New York, simply not just in Beijing getting the reports of the information. Her coverage

last year, her and her team, this coverage for COVID Pfizer. So it speaks equally to, she's revered after peers on her coverages it's absolutely top-end coverage. She's the author, the book that for those of you who do want to understand, how we got to a trade war, and what might you learn from that, she and her fellow Wall Street Journal colleague Bob Davis wrote "Superpower Showdown", that does come out of all of that. So, Lingling, it is my pleasure today to welcome you, thank you for joining us. Please join me, for Lingling Wei.

- Okay, great. So I'll just jump in first to say that saying that, Lingling was asked to leave China is a very polite way of putting the fact that all the journalists were expelled. But anyway, so Lingling, I will just add in my two cents, which is that she is the smartest, best sourced China reporter I know. And I will tell you from my own experience that it is very, very hard to cover China. And I remember I was covering China back in the late eighties, from 86 to 90 and I remember literally sneaking around undercover of darkness trying to talk to the liberal reformers who were building, you know, sort of the new China and struggling to figure out what what policies should be. But at the same time, knowing that the other side were not talking to me, right? So the people who were talking to me were only the ones who wanted to be talking to the Western journalists. And so it's very, very hard and I will add to what Mark said, which is just your ability to, we'll get to that in a while. I think your ability to continue covering China from outside of China is really very amazing. So, let's jump right into the latest news. I mean, let's start with the party Congress. So much has been said and written about the fact that this was a clean sweep for Xi Jinping.

- Right.

- And he basically eliminated anybody who had opposing views from the top levels of the government. And you know, more than a few Chinese friends have said to me that they've noticed that there's kind of nobody at the top who is good at managing the economy or is expert at managing the economy. So I'm just wondering what you're seeing in terms of signals coming out of the party congress on what economic policy and the party's attitude towards business in particular might be right now?

- Sure. It's really my honor to be here. I grew up in China in eighties and nineties and I have seen some, you know, Chinese faces here you probably know that I'm among the generation that harbored this Harvard dream, I've told Dinda many times, you know, it would be, you know, amazing if I ever can come to Harvard and study. And so I'm just extremely honored for this opportunity. Thank you so much Mark and Dinda and Bill, and Bill and Winnie and I met so many, you know, legends here already. So here also, this is the chance for me to actually study from, you know, learn from all of you and the questions you're interested in. And to the extent that I can give some really

good answers, I'll be, you know, very, very happy.

- And she's starting her kid out young. Her son, Sewell. Nine year old son is sitting up there, so...

- Exactly.

- We welcome him too.

- That's my plus one. He's getting some much needed early Harvard education. So yes, the party congress thing, as you pointed out is that, you know, clean victory for Xi Jinping, it really marks an end to any kind of resistance to Xi, to his dominance in Chinese politics to his policies. So, you know, for me, you know, 'cause I covered intersection of the politics and the economy for the past 10 years, what extremely, even more striking is the fact, just as you pointed out, all those pro-market pragmatists who for years, basically powered China's integration with the United States and the rest of the world economy. All those people are gone not just the premier, the Li Keqiang, the Wang Yang, but some of the people lower level, right? Bill He Guo Shuqing, the current banking regulator, Yi Gang, the current central bank governor. So all those people, you know, the familiar faces for a lot of policy makers in Washington, in Brussels, in Tokyo, in, so all those faces are gone. To me, it really is a true changing of the guard in terms of China's orientation with the rest of the world, especially the US led west. So, you know, that just to me that's, you know, more striking even than the fact that, you know, its a clean sweep for Xi. Because we all know, you know, he was going to get a third term. We own expected that, but we didn't expect him to basically completely break the norms and, you know, now having such a team that really just packed with loyalness to the party actually to himself personally. So that really, you know, if you can sit, take into account the personnel changes and then look at what he actually said during the party Congress, the political report he delivered. It's pretty clear that he has changed the central task of the party from the previous decades when the leaders like Deng Xiaoping, Jiang Zemin, Hu Jintao, you know, put economic development at the center of the party's task. And nowadays it's more about security, right? The emphasis on secure security. It all kind of suggests that he's trying to rewrite the social contract with the Chinese population. 'Cause before in the previous decades it was legitimacy, performance legitimacy, right? As long as the party keeps delivering higher gross, more prosperity for the Chinese population and nobody would say a thing about a party, continued rule of the country. And now, you know, it's more like, okay, our legitimacy now relies on, you know, keeping the Chinese people feel secure, secure from western influences, secure from the perceived, especially the perceived threats from the United States. So that's my biggest takeaway from the party Congress.

- Right. Okay, so before we jump into, you know, drilling down into

the private sector and what's happening with them right now, I just have to ask you, what the heck happened with Hu Jintao? So we all watched an amazement as he was removed. The former party secretary was removed clearly against his will from the Great Hall of the People just near the end of the Congress. So tell us from what you are hearing what happened and what was about to happen at that moment. You know, what's the story that you're hearing?

- Sure, Dinda. Wish I knew the most accurate answer here, but you know, I have to be really honest about this because, you know, there are different versions floating around and we may never know the truth, but, you know, based on some conversations I have had with contacts back in Beijing, you know, one version that I think is probably a little bit more authoritative than others is as such. So basically, Xi Jinping was the one who actually invited Hu Jintao to the last session of the party Congress. And you know, as evidenced by the fact that Hu was actually arranged to be sitting right next to Xi Jinping, you know, at the previous predecessor, Jiang Zeming obviously didn't show up probably for health and other reasons, but, you know, having Hu Jintao there definitely was considered as, you know, bolster. Further bolster to Xi's authority and image. But obviously, and then as that session progressed, you know, one big puzzle obviously involved that red folder that was right in front of Hu Jintao. And it looks like from the video we saw, it looks like Hu Jintao tried to open that red folder. So the question, obviously, we were just talking about it yesterday, what was in the red folder? I mean, some of my colleagues did this amazing job. They like really magnified the frame and found out that it was list of names, you know, list of the central committee names. So, you know, but that's puzzling, right? I mean, as a former top leader in China, he should have known who made the cut, right? That was the norm. Party elders were always consulted with when, you know, they tried to, you know, decide who would go into the next leadership lineup. But then you read this official account from Xinjiang, you know, clearly laid out the process of the leadership selection and looks like this time around the party elders were not involved in the leadership selection process. So that means, you know, perhaps Hu didn't really know in advance who actually made the cut and help explain the urge to open the folder, you know, and check the names. So again, this is just, you know, one of the speculations out there, but I thought was, you know, more credible than a lot of others. But anyway, so, but the time was not there yet for him to open up folder. Then that's why you saw the guy who stood right next to him, Li Zhanshu, head of the legislature, tried to stop him, but he pretty adamant, right? He was, you know, "I really want to see." And then at that point, Xi Jinping himself intervened and called in one of the, you know, security people to try to get Hu Jintao out. You know, there are a lot of people saying, "Oh, Hu Jintao was so senile." you know, "He was mentally not very clear about what's going on." But you saw his, you know, movements, right? And he really resisted from being dragged out from his feet and made

some very clear gestures that he didn't want to leave. But of course, in the end he had to go, but from every movement he made, from the time he was asked to leave, to the time he actually walked out, I didn't see any sign of a person who was mentally ill or incapable of doing his own stuff. I saw some person who was dragged out against his will. So again, you know, question was why was he asked to leave? Right? And, you know, again, we didn't really know what's going through Xi's mind or Hu Jintao's mind at that point. But I have to say that Hu Jintao is known as this bland figure hat in China, but he actually took actions on his own that was surprising before, that was 10 years ago when Xi Jinping was anointed as the top party leader. So that was in November, 2012. And Xi Jinping and the six of his colleagues, the new standing committee was about to make a press appearance and they were an hour late. So as a reporter, you know, we were all there wondering what happened, maybe just, you know, normal delay or whatever. But then we only found out later was the normal delay. It was because right before the press appearance, the new leaders and the predecessors, including Hu Jintao and Jiang Zemin, they had a closed door meeting themselves first. And during that meeting, Hu Jintao took the initiative and announced that "I am going to relinquish all three positions." Not just president and party chief, but also military position. And that was really a surprise decision because Jiang Zemin the predecessor to Hu, had held onto the military position for longer right? And interfered with Hu's leadership for 10 years. So when Hu announced that decision, surprised the decision and you know, I was told by people who actually attended that whole thing, you know, Jiang Zemin jaw just dropped, but, you know, the decision almost moved Zemin to tears because it really helped and paved the way, right? Secure power and consolidate power. But anyway, so if you think about what Hu Jintao did 10 years ago, and then fast forward to a few weeks ago, the resistance he had shown at the party congress, it's just really amazing, right? Stunning, you know, what what he did. And then arguably he probably also figured that was his last chance to make a statement, you know, that could be seen by many more people as opposed to closed story inside home or doing what and not, right? So, I thought that explanation from some party insiders in Beijing, was, you know, credible in a way. But, you know, the fact that Xi asked him to leave also shows, you know, the need to keep maintain, you know, his authority that the image, you know, no one is allowed to violate any kind of procedure, any kind of rules. You know, even if you are, you know, my predecessor, you have to leave. So that's my very long winded answer.

- Thank you for that amazing answer. So, let's turn to the topic of the day, which is the private sector. You've written a lot about the rise of the private sector in China and also the challenges that they have been facing. And so I'd love to ask you, you know, to talk about what you're seeing in the private sector more recently and what you think Xi Jinping is trying to accomplish as more funding goes to the state sector?

- Sure. The crackdown on the private sector really has been going on for quite a while and just, you know, it has accelerated in recent years, especially 2021. You know, we saw this enormous pressure on platform companies like Alibaba, Tencent in the kind of companies that have huge, you know, stockpiles of data and you know, we have seen private business people like Jack Ma used to be idolized in China, right? And almost now nowadays has vanished from public view. So again, it's also really puzzling for a lot of, especially Westerners who knew how private sector really powered China's growth for so many years. Whenever I remember my 10 years back in China, whenever we interviewed the private entrepreneurs we were always so hopeful, the kind of unbridled energy, right? The kind of desire to innovate, to compete, to grow. It was just enormous. But why would Xi Jinping want them, want to crack down on them? You know, one explanation and it's pre-reported, was that, you know, for Xi Jinping, really, politics is in command, not, you know, economic development. So he has this huge desire to make sure that all private businesses of all sizes in all sectors fall in line with what the party wants for the country. And that has led to, you know, stricter rules, restrictions on the kind of lines of businesses private companies can operate in. More private companies setting up party committees and also, you know, we have seen private companies having to tailor their business models to suit the needs of the state.

- Can you share any examples of companies that have been struggling with this? And what happens to them? How do they navigate this, you know, if they have to have a party committee and you know, all this, how do they deal with it?

- Sure, that's a great question, Dinda. You know, we have seen that, you know, for example, the most well known ones, right? Alibaba, Tencent, you know, they have been gradually divesting instead of expanding further, been shedding assets, non-core assets, especially trying to get out of the areas that are seen as venturing into the ideological dormant of the party information, right? Media, that kind of stuff. And, you know, we have seen the state government be it local government or central government ministries or agencies taking very minority shares in private companies, especially those with troves of data, those minority shares actually empower them to veto key business decisions.

- Is this the so-called golden shares?

- Exactly. Golden shares usually just 1% of ownership, but has veto power. So, a couple years ago I interviewed private water company in Beijing, you know, is basically in the business of producing clean water. It was, you know, because of China's environmental needs, it was, it had been a booming business for almost a decade. And this guy became one of the richest billionaires in China. But because the

gradually stepped up state control over the economy, his company was squeezed for financing. 'Cause more and more, despite the fact that the government still talks about we need to, you know, get banks to lend more to private businesses, but in reality it's really hard for them to get money 'cause interest rates usually very low, very high for them compared to state firms. And, you know, banks not very willing to lend to private businesses, considered very risky. So this guy, you know, he did this quintessential American way of, you know, the trappings of American capitalists and you know, he actually borrowed a lot of shares himself and tried to include, expand his ownership. So, but because the financing of the company was squeezed and share prices of his firm dropped, so he was pressured by margin costs and all that. So he couldn't really sustain the business going forward. And then, of course at that time, a big state-owned firm in Beijing swooped in and now has already taken full control of the company. And guess what the company's expanding is business into? Belt and road. You know, as opposed to it's own line business which has proven profitable, which was, you know, the clean water and some kind of system that households could buy for water purification. So now they're doing more of the belt and road investments. So that's one example of how private business actually getting taken over by the state. And reorient is the business model to suit the government's objectives.

- Would you say that private sector access to capital is the biggest challenge to the private sector? Or there other ways in which, and I'm also curious, like the word you use the word crackdown, which crackdown that word has a judgment in it, right?

- Right.

- You could also make the argument as the Chinese government would, which is that the market was unregulated, it was out of control. We needed more regulation. But, I'm curious as to what other, you know, challenges is the business community facing aside from from access to capital.

- Sure. I think that's a very fair point just to your point about the choice of word crackdown. You know, a lot of times we do hear that from Chinese officials, you know, whenever we do flattering story, they would, you know, call me for tea or something and you are hurting China. But the things that, as a journalist, right, you know, our job is not to help the government justify their positions. We are nit pickers, you know, we really hold you accountable for everything you do. Why we use the word crackdown is that yes, every country has the problem of, especially in the area of data, digital trade, the US, Europe, they all have the kind of problems in terms of how to regulate digital records. In China's case is because, you know, the governments that, oh, we want to reign in those private tech firms, anti-monopolistic practices. But the irony in China is that the biggest



monopoly is not those private companies, it is the state sector. So there are nothing that's getting done to address that big monopoly. On the other hand, they're trying to, you know, really focus their energy on ringing in the monopolist behavior of the pride firms. So that's really one of the biggest areas in all this. And also, you know, in terms of data, you know, we talked about that's mostly one main area of focus for government regulations this year, for sure. There's something to be said about the need to protect data privacy. You know, my family back in China, they would be the first to tell you how often they get those very invasive messages like asking for information. And that really was annoying, right? So that kind of regulations definitely help kind of prevent very invasive data collection practices by private firms. However, the key difference between what China is focusing on and what countries like Europe, regions like Europe are focusing on is that China's focus is more on state government control. So government has the power to dictate what data are important, what are not, and how you should disseminate, collect, store, use that data. So in China, data is considered a national asset. So that's a key difference. The focus is on government, "I know better, I help you decide." But in places like Europe, it's like, "Okay, we need to have better regulations on data collection, the more focused on privacy." And also in China, if you, with the Ministry of Public Security, I don't think you would have any problem accessing Lingling's or Winnie's data. You know, you just have to ask, right? But in Europe, you probably would have to go through some court legal proceedings in order to try to access our data. So that's the key difference there.

- So actually following up on your story about the water company.

- Right.

- That was taken over by the state. So just last week,

- Yeah.

- China Unicom announced a new joint venture with Tencent, right?

- Right. So here you have a state run telecommunications company,

- Right.

- Pairing up with a private technology platform to work on developing internet data centers, content delivery networks, and edge computing. So as you've been saying, Beijing's been moving to exert control over the tech sector, does this look to you like the sort of first steps towards a kind of a takeover?

- Sure. Cloud computing, AI, semiconductors, electric vehicles, those are all considered technology of the future by the Chinese government.

That's basically, you know, in order to dominate industrial manufacturing going forward, those areas are clearly designated as key areas China needs to take lead in. And instead of, you know, giving private companies a freer reign, you go innovate, you'd go compete, you go develop in those areas. Increasingly, we're seeing this kind of arrangements in the, as you laid out the conjoined ventures between the state and private sector. And you know, this is just quite a reversal from the kind of reform that China actually carried out in many decades. For example, we all know the concept of mixed ownership reform, right? It was started during the Zhu Longji, and really popular popularized during the Zhu Longji era. It was mostly about private businesses, private capital, giving a chance to invest in state firms and then help those state firms operate more like commercial entities, right? Help them improve efficiency, profitability. But nowadays-

- And that sort of turned into, in a sense, the privatization of these state firms, right?

- Exactly.

- A lot of people got very rich during that time.

- Exactly. That's exactly right. And but nowadays, mixed ownership reform has been redefined to mean state firms investing private firms. The golden share phenomenon we just talked about, you know, because the government, the state, wants to have a firmer hold, firmer control over how private businesses are being run in China. So, why does that matter? It matters because we all know how inefficient state firms are in China. I got some really good data for one of my stories from the IMF. State firms in China usually are only about 80% as efficient, productive as private companies. So this kind of arrangement, having the state taking a bigger role in the economy just means Chinese economy is less and less efficient.

- Right, right, right. So, okay, so you talked about critical technologies and cloud computing and semiconductors, electric vehicles, those kinds of things. And Xi Jinping has stepped up his efforts to reduce China's reliance on foreign technology and steered more capital into industries that it considers to be strategically important.

- Right.

- Such as semiconductors and artificial intelligence. That kind of strategic economic planning, you could make the argument that it's actually worked pretty well for China.

- Yeah.

- In the past, just look at China's EV sector, for example.

- Right.

- I mean, it's incredible. You know, they're leading the world, enormously. So what do you think about that kind of state directed investment? Will it succeed in driving economic growth going forward?

- Sure. That's a very good point. Dinda for sure. Jury still out. You know, I don't want to, you know, declare this very moment that it's not gonna work. However, we have seen tremendous amount of evidence showing how inefficient the state lab model actually has been in terms of trying to upgrade the industrial capabilities of China. You've mentioned EV, I completely agree with you. You know, China EV sector has grown tremendously over the past few years, by the way, in part thanks to Elon Musk, right? He helped build up the entire EV supply chain in China, just like Motorola did decades ago. And as Apple did in recent years, right? The smartphone supply chain. So the Chinese have been very savvy, as Mark knows in terms of taking advantage of the desire by multinational firms to get into China's markets and get them to build up supply chains that benefit domestic suppliers. So, but despite the progress, for example, they made in EV, the whole industry still very much saturated. They're like tens of thousands of EV makers in China that produce a ton of cars. But the demand side hasn't picked up as dramatic. So the profit margins actually for the individual firms are quite miserable. So yes, the technology, huge advancement, supply chain set up. But if I'm a shareholder in the firm, I probably wouldn't be very happy, right? So, and I wanted to also, one area we have seen tremendous state input is semiconductor, right? Again, China has made big progress in that area. However, when it comes to high end chips, China still very much relies on Taiwan firms, some other Asian firms and American semiconductor makers and Europeans, right? Because you need very built up ecosystem for that kind of technological breakthrough. Actually, this is one of the ideas I've been thinking about this, this whole concept of open society, and you are all experts on this, more than I am, it's just a question I've been asking myself when doing reporting, do we all need free flows of data, free flows of ideas, free flows of talents, in order to achieve the kind of technological breakthroughs China is aiming for? I don't have a clear answer to that because, you know, in certain ways it looks like even within a closed system, they accomplished quite a lot. But to get to the next level, do you have to have what the US has in order to get to that point? So that's basically, I, you know, it is probably a question we will find out years down the road.

- Yep. So I'd like to open up to questions from the floor at this point, and please if you have a question, firstly keep it short, please, so we can have as many questions as possible. And secondly, please identify yourself. Okay, and then, then why don't you go next, Bill? Go ahead, yep.

- [Audience Member] So my question is, In US, China trade. So, like, one of the and we used to have this part, we said, are you gonna graduating now? Now we say and we were graduating But now he's in the .

- Oh, his daughter? His daughter went to Harvard.

- Yeah, exactly.

- [Audience Member] If you advise, obviously you, . Thank you.

- Thank you for the great question. Mark, probably much better position than I am to answer a question, but I'll try. Trade negotiation, does it exist anymore? You know, last year the conversations Liu He had with Yelen . Like four times. This year, zero. So you ask about, you know, the impact of the trade war on China. I really think, you know, obviously the Trump administration, the, you know, the biggest accomplishment of the Trump administration from the trade war was, you know, it basically alerted the entire world on some of the unfair trading practices China had engaged in for many years. But in terms the actual results, I would say pretty miserable. And it failed to change China whatsoever. It actually caused Xi Jinping to double down on the state-led model. So, and also, personally, I believe that the few moderate voices, you know, the ones the people who still, you know, advocated engaging with the US, because of the very heavy handed approach from the trade war, those voices were completely eliminated because then you wanted to argue for, "Okay, let's do this." Then you would be labeled as a traitor, right? It's making very difficult for the remaining reformist, however you call it, however few, to have a voice within the bureaucracy.

- Bill, I know you had your hand up.

- [Bill] Thanks for wonderful talk. I have a whole bunch of questions, but I'll just ask a one.

- Introduce yourself. I'm Bill Overholt from the Fairbank Center.

- Thank you.

- [Bill] You talked about to what the foreign sector referred. I wonder, if there are regional in the sector varied, in how this works. Just have to send new . foreign secretary Differently . Bill set some . Am I incorrect?

- Thank you, Bill. That's a wonderful question. I'm so glad you asked. It's, you know, as Dinda knows so well, you know, China is like in certain aspects, right? It's like, you know, it's United Nation, right? Because the regional differences are so big. So it might have

been the case before Xi Jinping you know, regional priorities, regional differences, everybody, you know, had their own priority. But now more and more you see that he wants everyone to be on the same page, right? To be totally loyal to him in terms of what he wants to accomplish. You mentioned Guangdong, you know, the recent personnel change involving Guangdong is hugely interesting. You know, he basically sent Huang Kunming the guy who until recently had been in charge of propaganda to be party Secretary of Guangdong, arguably one of the most liberal and westernized regions in China.

- A propagandist

- Wow.

- running Guangdong. That's a pretty big sign about what the priority is these days. So, you know, waiting, just combining the two of your questions, right? About US China relationship and the regional differences. So it seems that one of the biggest priorities Xi has nowadays is to ring fence China's economic system and girding China for more intensified competition with the United States. That means, you know, forget about the kind of pragmatism that's being a hallmark, of China's policy making past four decades. It's more about, you know, be politically, ideologically pure, right? Instead of embracing private forces and capitalist forces, we make sure we regulate them and keep them, you know, within a cage. So all for the purpose of basically securing China's economic system, financial system. Sanction proofing the economy because the intensified hostility with the United States. And another thing about local officials though is that, you know, you must have heard the term lying flat. It's, you know, a very passive aggressive way of expressing your displeasure, but you have no choice but just do nothing. And Xi still has that problem, despite he packed his cabinet with loyalists. A lot of people on the local level, you know, they're being hunted by the non-stopping anti-corruption campaign. And the kind of incentives they're used to no longer there. So on the other hand, the constant lecturing about being have to be politically correct and loyal, you know, just all those forces that play, okay, maybe the best way for me to do things is not to take any initiatives going forward, just lie flat, right? So I think that's also a big problem. And most recent examples, this whole COVID control measures all over the country. Okay, this is one area you cannot lie flat, right? If you lie flat, then paces go out of control, you lose your job. Best case scenario, lose your job, right? So then what they do, okay, I can lie flat here, then I accelerate, I just try harder. I just make sure you see that I do jobs, that means excessive control modules, measures that have led to many instances of, you know, people not being able to get their, you know, diseases treated, you know, very tragic deaths, you know, pregnant women not being able to have their children delivered, you know, that kind of stuff. So it's, yes, the unity we very much saw at the very top, but beneath it is still pretty messy, I would say.

- Fascinating. Okay, another question. How about this one here?

- [Audience Member] Thank you. Didn't mean to sound so mean and cruel, We did our and actually . that we should more or less regard it as a legal example of clear planning. So do you think that with AB marketing combined with a more stable economy, in the future liberating the whole world. And maybe Xi, the people . In other words, if that others, like a policy reason, like a basically opposite of the economic reason. for those medium and at at war with them. Can people live, as long as China takes control of private trying coming in? and, thank you.

- Could I ask you, before you jump in, just can you sort of explain firstly, is this thing real? What is it? And you know, is that a real thing happening, this rumor? Explain that and then, you know, take that question. Thanks.

- Right, right. This is kind of state sponsors, state organized, basically, you know, supply and supply cooperatives, right? Basically. So those things were really a feature of the command planned economy back during the Mao era. So I do think the most recent talks about, you know, basically setting up more is reflective the current political trend in China. The trend is such that Xi definitely has this desire of remaking China's economic model to make it much, much less capitalist and more socialist. So he has a desire returning to, you know, a lot of people have talked about differences between him and Mao, I totally agree, but there are certain objectives he definitely shares with Mao. You know, one of them is this, you know, show who you guys are, right? Make, you know, socialism really stick in China. So I think it's definitely a trend worth watching, you know, how much further would that go? And right now we have seen a few provinces like Hunan, you know, not the entirely backward places, actually some of the more advanced, you know, regions actually talking, planning on that. So again, you know what that tells me two things. One is the political trend we're talking about. The other is, again, back to the competition with the United States that you talked about, you know, China preparing for potential conflicts, right? So in time of crisis like that, you want to be able to make sure supplies of certain essentials like food, like grain meat, pork, agriculture products, you wanna make sure that supply is there, is ensured, and the best way to ensure that is , right? So that basically tells me those two things. But again, but I don't want to sound like too alarmist, like okay, you know, they're preparing for something bad very soon, but just, you know, just keep reading what Xi has been saying, you know, just a couple days ago, he gave a speech to the military about getting ready for battles and stuff like that. You do see, I mean this is not us trying to sound too alarmist here. It's him actually talking more and more and more about the need to be ready for war.

- Actually, one of the things I found so fascinating about the program we had last night was Tony Sage from the Kennedy School was saying that he felt that Xi's report at the party Congress was a very anxious report.

- Yes.

- It was full of lot of anxiety about threats from the rest of the world.

- Yes, threats, struggles, right? You know, the storm, dark storm is approaching. And it's quite dark.

- Very interesting. Another question, let's take one from up there, yep.

- Oh, thanks to . My question is about the So some researchers theorizes that, you know, China's wise is a story of which means like, look, AC has a lot of autonomy in terms of agency. You know, if you're look at policies, and stand here subsidized, it's so small. All the thoughts are like policies show that show autonomy in terms of means. So what are, like in terms of the recent trend in the political, institutional structural change, how do you think that the economic local autonomy, like in terms of that, how that would change at all? Or has that been changed already?

- Sure, that's a great question. You know, localities have had some autonomy in terms of, you know, how they want to develop local economies in particular. But increasingly under Xi Jinping, the whole decision making process has been centralized, right? I'm not even sure there are debates over especially, you know, econ policy anymore. In the past, there definitely very active debates over what you do; stimulate, not stimulate, you know, give foreigners 5%, 10%, you know, that sort of thing. Now just, you know, you have just to make proposals thinking that this is along the lines of what the top leader wants. So, you know, I talked to a few local officials over the past year, I did still get this desire to grow the economy. And some of them still sounded very much pragmatic. They still wanted foreign investments, but they're not doing anything. Because they're not sure if by actively courting foreign investors, foreign capital that, you know, good thing for them political way speaking. So there's a loss of direction in a sense, like exactly what to do. And on the other hand, Xi Jinping hasn't replaced the existing incentive mechanism for local officials with anything else that other than economic growth, right? So if, , right now using GDP to measure performance, so what else? How else can the government measure local officials performance? Only loyalty? Everybody can say, "Oh, I'm very loyal!" So, how do you show for loyalty? Right? So I think that's, you know, another issue, you know, we need to keep a very close eye out for. Thank you.

- I have a quick follow on that question about local officials. Because we actually have brilliant graduate student who's working on the burdens that are carried by local officials and basically is arguing that it's unsustainable, that they feel they can't pay salaries, the demands on them are so heavy.

- Exactly.

- Because so much money is being spent on COVID testing,

- Right.

- That their funds are basically dried up to the point where they can't even pay salaries. So I'm just really curious as to whether you feel that is, that can't be sustainable, right?

- Exactly.

- So at a certain point that's just not gonna work any longer.

- Right. So the, as you mentioned, Dinda, a lot of localities being slashing salaries for civil servants, right? But comparatively speaking, still better than someone working at a private firms

- I see.

- That just had to shut door, right?

- Right. Okay.

- Because they have no business. So, and if you look at recent data, the number of college graduates who want to get into working government, surged, right? Because at least the jobs are secure. When I-

- Pia Pharma.

- Pia Pharma, exactly!

- The Iron Bowl.

- Iron Bowl back. And when I graduated in, I'm showing my age, I graduated from Fudan in '97, right? We either wanted to work for foreign companies or wanting to go abroad to study or, you know, none of us wanted to work for government. We were offered jobs at like People's Daily or China Daily or whatever. It's like, we don't want to do this. But nowadays it's a reversal. It's pretty fascinating.

- Wow.



- I think we have time for one or two more questions. Why don't we take, well go ahead. You're up there, so yeah. And you're next.

- [Audience Member] It's continued to be a very controversial in exactly implemented with fiddling around the edges of philanthropic efforts and it's even confined to experimental and general sale. Can you talk on politics of implementing common prosperity?

- Sure.

- [Audience Member] Can I just . Just summarize the question briefly, for how many people are having trouble hearing it?

- Oh.

- [Audience Member] Please do, question

- Okay, sure. So I think the question is about common prosperity, the politics of common prosperity and what exactly the government wants to achieve. You know, it is a slogan at this point, very vague slogan. And it's also not new. I mean, Mao Zedong talked about common prosperity too. The thing, this slogan is a way of, you know, trying to address the increasing inequality in China's society, the haves and have nots. You know, one of the key advantages of the socialism socialist system should be vast inequality, not more. So that's basically his way of trying to address that problem, but they're not really addressing it with for example, by reforming the tax system, right? Or investing more on the people. We're not seeing more invest, more spending on education. We're not seeing more spending on rural population, right? Right now it's a slogan that really scared the private firms shitless. I'm sorry, pardon my language. Because there we have seen many cases scared, I hope this not audible to people. But here so far, we have seen many cases where private entrepreneurs, not us explicitly, but the sign was there, "Okay, better donate." That's, be a good party boy, you know, toe the party line. So they're very scared that, you know, what's the point of trying so hard to build up your business when in the end you have to share, right? And the money not really going to the poor either. It's just going to the government. So, that's why, you know, a lot of private businesses in particular are so, you know, kind of scared of this slogan, has become sort of like, oh my gosh, you know, as soon as they heard those two words common prosperity. They're like, okay, here we go again. That kind of feeling.

- One last question here, and then I'll reserve the final. You've got a question? Okay, great. One, one question we'd already, you'd have to choose one.

- That's a great question.

- Excellent. Indeed. You know, I sort of like need more data to really better grasp like exactly how many Chinese are thinking about leaving China or the possible ways for them to actually do that. I think, you know, me personally from the friends and contacts in China had conversation with, I constantly like, you know, felt those two sentiments, two kinds of sentiment. One exactly as you described, the anxiety, the fear that the best days are behind China. So, you know, we better, you know, leave or something like that. And there's also another sentiment is, you know, especially the younger generation, they grew up with a rising China, right? They never experienced culture revolution. They never experienced a great leap forward. They never experience even the '89, right? So China's pretty awesome. Why run, why leave, right? And I saw all the problems in the United States and in the rest of the world. So I still do need to do a little bit more reporting to figure out which kind of sentiment nowadays it's more dominant. Of course, overseas in New York, in Boston, Washington, you know, the kind of Chinese community we interact with, overwhelmingly, it's like, what the heck is going on in China, right? But, still, we are not there. I mean, that kills me every day that I'm not there doing the on the ground reporting.

- But to go back to your question, do you have any words, you know, of comfort or advice or whatever, you know, for people who are here, students, whatever, who are feeling anxious and kind of don't know what they can do or what to do?

- Yeah, I think, I know this sounds really quite abstract, but speaking from my own experience, follow your heart following instincts and it is going to pay off. I mean, to not inside China, I mean country you love, you grew up in that. That's just, I can't tell you how awful that actually is, but at the same time, you just have to be able to be in a place where your dreams can be realized and your potential can be fulfilled to the extreme. So it's a quite struggle. A lot of personal sacrifices, but, just in the end, you just have to be honest with yourself. What it is that you really want most and then work toward it. If you want to go back China, totally fine. And I'm sure there are still opportunities there, but with the understanding of certain more restrictions. But if you want to stay here, and also it's not heaven, right? There's so problems and a lot of disturbing things we're aware of. So no system is perfect. It just, you know, whichever one suits your dreams, your needs, your ambitions more and then work toward that.

- That's beautiful. I think there's a question. Yep.

- [Audience Member] Thank you for addressing the conversation. contribute to the conversation. But there is a very active streaming questions zone. So I just want to channel two of those questions for you. And with apologies to the rest of you who submitted questions

online that we didn't get to. First question is from Seoul, we'll send Google base, is a business scholar here at the Fairbank Center of Graduate theory. So that would love to hear your thoughts and prospect for smaller business, particularly small factories, establishments, and similar businesses. The second question is turning these business school, he said, at Lucent they recently characterized administrations study extra controls regime and economic information of the war. Is that how you understand Beijing's experiences?

- Right? So the first question about small businesses like restaurants and shops and all that, you know, I spent many years in Shanghai when I was growing up, you know, in college, you know, I remember a lot of places in Shanghai, I don't know if there are anyone from there, you know, those very pretty boutique shops, right? The , you know, just were, I'm sure Dinda shopped there. And it's just really sad. Recently, I've heard friends, all those shops have gone belly up because of no business, mostly because the COVID control measures, right? So as long as those strict COVID control measures is still in place, you know, unfortunately the prospects for small businesses are not that great. We're seeing many restaurants, you know, shutting their doors as well, in cities like Beijing and you know, a lot of other cities. And second question about the Washington's most recent moves to tighten the sale of high tech chips. to China is a huge deal in Beijing. It's huge, gigantic, ginormous. And they will respond. The question is how? So as far as our reporting shows that the government is doing evaluations, they're trying to have a better sense of how exactly the rules are effecting China's chip making industry. Both in terms of talents and in terms of actual access to technology. And once that evaluation wraps up, the various ministries involved will propose, make recommendations and proposals to the center in terms of how to address, how to respond. But they will respond. The question is, you know, how?

- So one final question. And it's just, I want a one sentence answer from you cause we're already past the time, but, so we recently talked to a very successful Chinese business person and asked, what does this common prosperity policy feel like? Does it feel like they're coming to get your money? And his answer was, yes, definitely. So if you were a private business person in China, what would you be doing now?

- Well, I would make donations. Just to be, I think be safe is first and foremost. Make donations and keep my head down and trying to figure out ways for my children and my children's children. And just, you know, there's no other way out because the party is invisible, but it is everywhere. Even more so these days. Just the only way you know to stay safe is unfortunately, you know, toe the party line.

- So it's a good time for philanthropy in China. So Lingling, I wanna thank you so much for a fascinating, fascinating conversation. Please join us. So brilliant.

- That's been a very good question.

- I know so many students are-