

## **Ms Linda Jakobson in conversation with Dr Kevin Rudd**

after the inaugural China Matters Oration

15 February 2023

### Ms Linda Jakobson

Kevin, thank you for that remarkable tour de force. A truly deep assessment of Xi Jinping and his thinking, his intentions, and ambitions.

I'm going to immediately return to the speech that Xi Jinping gave a week ago, and I do agree that this was an important address. And while I remember, please all, do read the written text of the China Matters Oration by Dr Kevin Rudd because it's really an in-depth document which one can't verbally go through in forty minutes. And there are insights about this most recent significant speech by Xi which he and I are referring to.

Going back to Xi Jinping's decision to so staunchly say that modernisation is not westernisation. For years China has really tried to fend off any kind of insinuation that China would be trying to export its development model. It's wanted to make it very clear that it's not pushing its model on anyone else. This was a rare statement of superiority, and as you said it was really staking the ground. Do you sense that China will work further on articulating this model and will do so in many countries around the world where China is viewed so differently than in the United States, Australia and Europe? Will it start to actively promote that development model, helping countries pursue that superior Chinese development model?

### Dr Kevin Rudd:

I think that it depends on two things. One is the resolution of let's call it the internal dialectic within the Chinese Communist Party, which is how much do I flap this wing, the ideological wing, and how much do I flap this wing, the pragmatic one, the basic

economic policy wing. What Xi Jinping is saying, I believe, in his speech at the Central Party School, is that this will be a continuing set of tensions within our system domestically. The problem with Xi Jinping in so doing is it also sends mixed messages to Chinese entrepreneurs. It sends mixed messages to Chinese municipal and provincial governments and those responsible for making decisions with entrepreneurs and beyond that with those arriving from abroad through foreign direct investment.

And so what I've written earlier in policy papers for the Centre for China Analysis at our institute in New York is through these mixed messages we are likely to see for the period ahead China muddling through in terms of its real world growth performance. We will see a recovery in Chinese growth this year. Domestic consumption is going to come back somewhat. There will be some restoration of activity in the tech sector. There will be some restoration of activity in the property sector. There will be obviously some continued growth delivered by exports depending on the state of the global economy and the outcome of current directions in global monetary policy and the health of the global economy this year. The reason I say that is the future articulation of this model abroad will be shaped in part by its successful conclusion or otherwise at home. That's why we pay a lot of attention to what signals are being sent out domestically.

As for China's growth coming out of this year, most market and public economists are predicting a growth performance of the Chinese economy somewhere between 4.7 and 5.3 for the calendar year 2023. Most market economists and public economists are agnostic about what happens beyond.

On the external front, what we know analytically is this change in the narrative. As you correctly said, Linda 1. China is saying it's not exporting its development model. 2. Xi Jinping at the 19th Party Congress dipped his toe in the water saying maybe. And then a week ago saying maybe a lot. We simply note the textural change and what I know about the Chinese system is the textural change is not accidental. It's not just, oh I'm having a press conference and I misspoke like what happens in our system. Of course, I never misspoke. (*Laughter*). I misspoke a lot. But it doesn't happen in the Chinese communist system. These things are weighed upon and deliberated upon and the

writing group which ultimately puts the text together for the central leadership reaches these conclusions carefully bringing together these different tensions. So, there is an ideological political resolve to put to the world, the developing world, the global south, an alternative policy narrative which others have at previous times loosely called the Beijing Consensus. You can see that happening. What is less clear is the extent to which that model domestically will continue to succeed because the growth numbers at present are suboptimal.

Ms Linda Jakobson:

Okay. I'm going to take you up on the theme of mixed messages and muddling through; and jump to foreign policy and a very important relationship which is China's relationship with Russia. As a European I've watched the mood in Europe sour towards China, not because of human rights abuses which have always been there and have been a thorn in the side of EU-China policy and European policy generally when it comes to China, but because of China's refusal to condemn the invasion by Russia of Ukraine. Now it's quite obvious that Beijing is very uncomfortable with the situation it is in. We've seen a lot of mixed messages coming out of Beijing recently with regard to Moscow. Do you feel that Xi Jinping will find a way out of this uncomfortable dilemma that he's found himself in as long as Putin is in power?

Dr Kevin Rudd:

Chinese statecraft in my analysis when it looks at its relationship with states is driven by an underlying statist logic which is when it looks at the Russian Federation and sees a) it's neighbour and b) one with whom for the last 400 years it largely had a problematic relationship and massive territorial disputes over many decades and in some cases centuries. And the alternative script which we've seen slowly emerge as you know since 1989 when Gorbachev and Deng finally resolved the border, and then furthermore under Xi Jinping in a series of increasingly intimate bilateral engagements between 2012 and 2022, which the world did not focus on. And then the one they did focus on was the meeting on 4 February last year, just on twelve months ago, when the Chinese side announced that this would now be a strategic partnership without limits.

And so, the evolution here based on state logic was in my judgement, 1. From Beijing's perspective it is always preferable to have a benign relationship with such an enormous neighbour 2. Far better to have that benign relationship which enables you to concentrate all your resources on the principle of strategic competition with the United States in the maritime domain. 3. From China's logic to see Russia as a source of reliable discounted commodities be they agricultural or commodity based. And 4. Through continued policy collaboration through institutions such as the UN Security Council to represent a continued challenge to US interests in the region and the world. And if you observe closely the degree of collaboration in New York between the two delegations they invariably vote together, not 100% of the time but 95% of the time.

And so, you've got all of that on one side of the ledger and then on the other side of the ledger there is this thing called keeping Europe happy. Now from the Chinese statecraft point of view their judgement is that argument A is of more importance than argument B notwithstanding Ukraine.

The foreign policy system in China in my observation has a range of views on this. And the fact that Vladimir Putin did what he did in Ukraine. The fact that this war is now a year old. The fact that it at best is a stalemate with the upcoming Russian offensive yet to be determined in terms of its military success. And the fact that you've just pointed to which is that every capital in Western Europe at least, NATO nation capitals has reflected its deep concerns about not just China's silence on the condemnation of Russian invasion of Ukraine, but beyond that, China's continued strong economic relationship with Russia during this whole period and certainly not embracing the unilateral sanctions formed by and embraced by the United States and its allies.

The level of discomfort in the Chinese foreign policy establishment is reflected by the fact that the principal foreign policy official responsible for this – or deemed to be responsible for this – “strategic partnership without limits” -document of 4 February last year is no longer in position. In China the leader never makes mistakes, officials make mistakes, and as a consequence he is no longer occupying that position.

Where will it go for the year ahead? I do not have that crystal ball, but I do have a deep understanding that China will always give preference to these underlying state priorities, as they see it, most acutely defined in the proximity of its neighbours and will regard the European interest in terms of solidarity with Ukraine as a secondary interest. You will see some diplomatic formulations which try to straddle those two realities. But if you ask for the baseline view, I think it is that.

Ms Linda Jakobson:

Despite the fact that China is going to suffer on less trade and investment from Europe? I was thinking more about their emphasis on doubling down to get the economy going.

Dr Kevin Rudd:

My overall argument is if he doesn't make a choice the choice will be the Russian interest.

Linda Jakobson:

I agree with you. I don't think we're going to see a change.

Dr Kevin Rudd:

I think that is clear on the documentary evidence.

Ms Linda Jakobson:

I'm going to turn to Australia, very aware that you're not keen to talk about the day-to-day politics of the bilateral relationship just now with your new role about to begin.

Dr Kevin Rudd:

Not that I'm not keen but I won't.

Ms Linda Jakobson:

As you know I've argued throughout this difficult period, this frosty period of bilateral relations, over the past few years that it is, in my view, in Australia's national interest to have quote-unquote "a constructive relationship" or I've said at least "a working relationship" with Beijing. The government talks about "stabilising" the relationship. Looking ahead, for example two to three years down the road and taking into account this ever-intensifying strategic competition between Washington and Beijing, *at its best* what could the Australia-China relationship look like, in your opinion?

Dr Kevin Rudd:

I said I wouldn't comment. The term stabilising, *wěndìng xìng* (稳定性), is a phrase used in Beijing as well. And it's not just about Australia, it's a phrase also used about the stabilising of the US-China relationship, balloons notwithstanding. And so, if you look at the surrounding language, which has emerged coming out of the Bali Summit, between Xi Jinping and Joe Biden in November, much of that language was about stabilising the US-China relationship. And the other strategic logic that I have seen on both sides is a desire to take the temperature down from where it reached by the end of last year after many years of structural deterioration.

Xi Jinping's language in the post-meeting document, if you look carefully at the very long, uncustomarily long, document coming out of Bali, it talked about the need to put

a security safety net under the relationship, an *ānquán wǎng* (安全网), it talked about the need to put protection in the relationship, *yùfáng yù* (预防预), new protection. This new language has not been used by the Chinese side before, and this parallel language, if you like, from the American side is the need to manage the strategic competition between China and the United States and to construct what the Americans describe and what many have been describing for some time as “strategic guardrails” for the relationship. This was where it was headed leading to the proposed Blinken visit to Beijing as of the week just past, until the balloon.

But, leaving the balloon to one side, it is interesting to see the reports in the last 24 hours indicating that it’s probable that Blinken and Wang Yi will meet at the margins of the UN security conference this weekend in Munich. So, what do I deduce from that and what do analysts deduce from that? That notwithstanding the dynamics of the balloon and whether or not this meeting in Munich proceeds or not and what its outcome might be, the bottom line is that there are predispositions still in Beijing and Washington to take the temperature down. Why? Because in my own judgement and I’m speaking as an analyst not representing any government, is that the judgement in both capitals is that it is better to reduce the risk of crisis, conflict and war by accident at a time when neither country wants that. That is now. So, the reason I say that in response to your question about Australia is that that is the strategic environment within which we’re operating.

Bilaterally, both Prime Minister Albanese and Foreign Minister Wong and Deputy Prime Minister Miles have been quite clear about the objective of stabilising the Australia-China relationship. At the same time what you can observe is the resumption of Ministerial contact, that is the function or an expression of a more normal relationship. What we still do not have is the normalisation of trade relations because of the range of import restrictions which China unilaterally placed on Australian goods in response to actions and statements made by the previous Australian government. So that matter is still to be resolved. And more broadly there is still much work to be done now that China is coming out of its zero Covid period to resume what I would describe as much more normal levels of people-to-people contact and students arriving back in this country as well.

My crystal ball is not good enough, Linda, to see three years' ahead on the bilateral, but what I observe right now, given where we've been for frankly the last three to five years, is a predisposition in both capitals to seek to stabilise. And I still see that predisposition in Beijing and Washington as well. Much of course can occur which destabilises the relationship. But the political predisposition is the one I just described.

Ms Linda Jakobson:

Yes, I would agree. Thank you. Now it's time to go to Q & A.