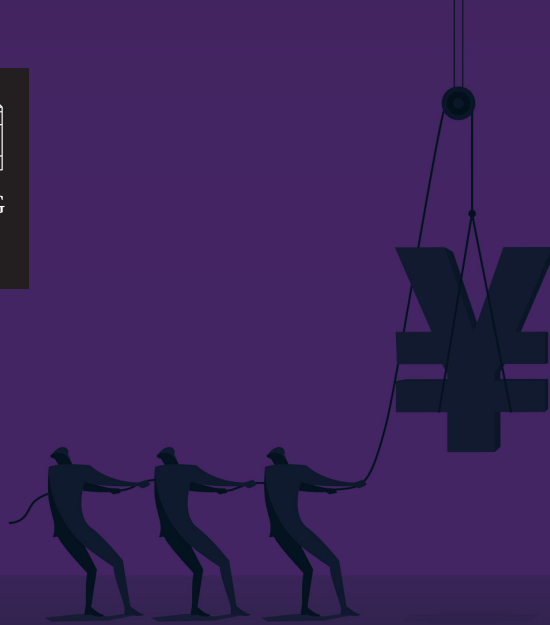




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THE FIFTH SIR MICHAEL PALLISER LECTURE

EUROPE AND THE RISE OF CHINA: HOW CAN EUROPEAN (INCLUDING BRITISH) INTERESTS AND VALUES BEST BE PROTECTED IN A MULTIPOLAR WORLD?

LECTURE DELIVERED BY LORD PATTEN OF BARNES
IN CONVERSATION WITH PROFESSOR RANA MITTER

Delivered by **Lord Patten of Barnes**
Chancellor of the University of Oxford; 28th
and final Governor of Hong Kong
in conversation with **Professor Rana Mitter**
Director of the University of Oxford China Centre

Introduced by **Matt Reed**
Chief Executive Officer, Aga Khan Foundation
and **Stephen Salyer**
President and Chief Executive Officer, Salzburg Global Seminar

Floor discussion moderated by **Clare Shine**
Vice President and Chief Program Officer, Salzburg Global Seminar

Closing remarks by **Edward Mortimer Chair**
21st Century Trust; Former Senior Vice President and
Chief Program Officer, Salzburg Global Seminar

Kindly hosted by **The Aga Khan Centre**

This lecture was delivered in honor of **Sir Michael Palliser GCMG**,
held in **London, UK** on **May 21, 2019**

This event is held under the auspices of
Salzburg Global Seminar – Austria
in partnership with the **21st Century Trust**

THIS LECTURE WAS HELD IN MEMORY OF

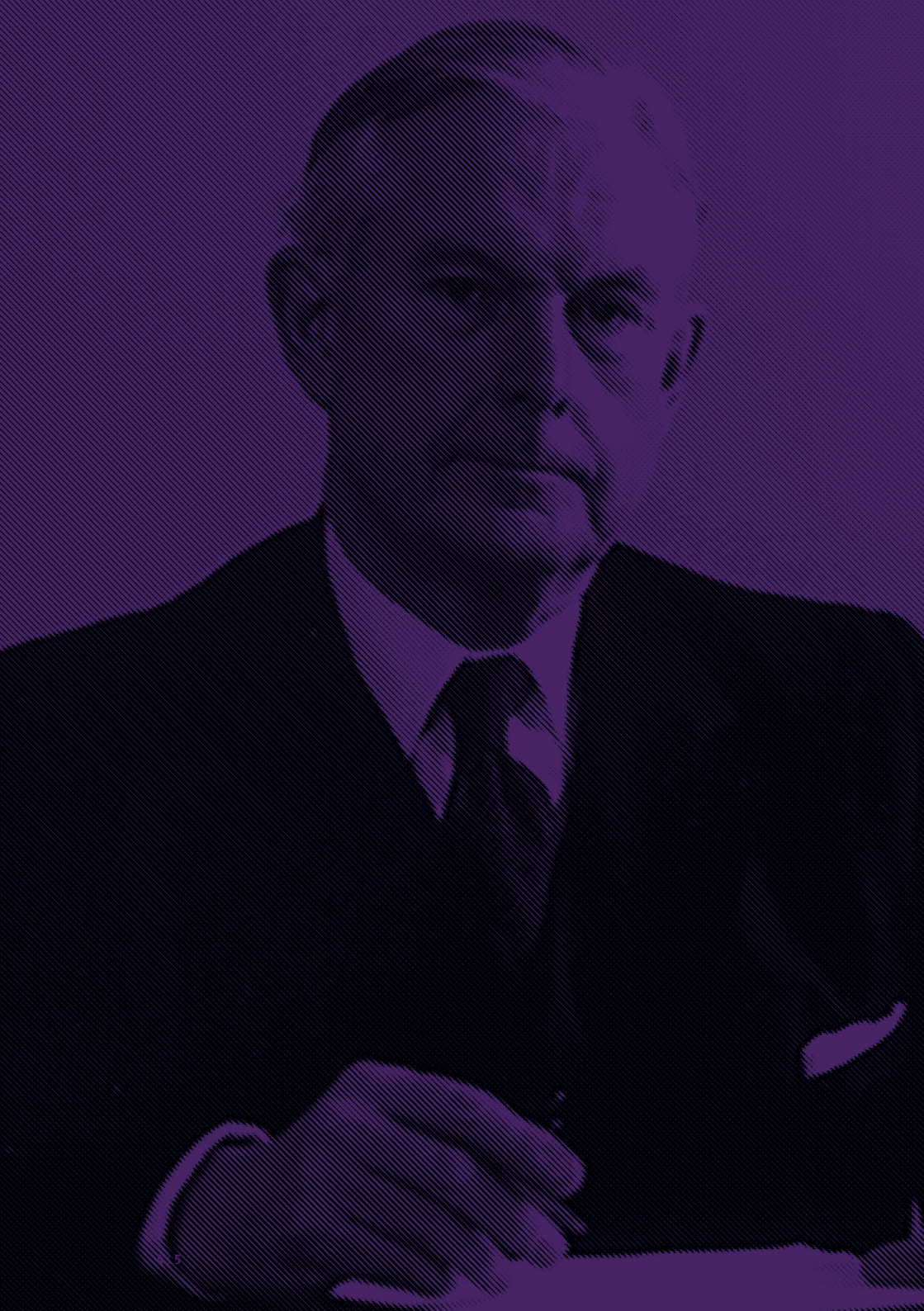
SIR MICHAEL PALLISER

GCMG PC

Sir Arthur Michael Palliser GCMG PC (9 April 1922 – 19 June 2012) was the **vice chairman of Salzburg Global Seminar's Board of Directors** and a **senior British diplomat**.

Born in Reigate, Surrey, the son of Admiral Sir Arthur Palliser, he received his education at Wellington and Merton College, Oxford. Appointed a Second Lieutenant November 21, 1942, he served in the Coldstream Guards during World War II. In 1947, he joined the British Diplomatic Service and held a number of appointments at home and abroad, including Head of the Policy Planning Staff, Private Secretary to the Prime Minister, Minister at the British Embassy in Paris, Ambassador and Permanent Representative to the European Communities, and Permanent Under-Secretary of State and Head of the Diplomatic Service (1975 – 1982). From April to July 1982, during the Falklands campaign, he served as Special Adviser to the Prime Minister in the Cabinet Office. He was appointed a member of the Privy Council in 1983.

That same year, he joined the board of the London investment bank Samuel Montagu & Co., a subsidiary of the Midland Bank, of which he became a deputy chairman. He was chairman of Samuel Montagu from 1984 – 1993, then vice chairman until his retirement in 1996. From 1983 – 1992, he was non-executive director of several industrial companies. From 1986 – 1994, he was a member of the board of the Royal National Theatre. Sir Michael has served on the faculty of many Salzburg Global Seminar sessions. Sir Michael served on Salzburg Global Seminar's Board of Directors for 16 years, 13 of which as Vice Chair of the Board. In addition to serving on the Board, Sir Michael proved himself to be an active, engaged supporter of programs in Salzburg, attending more than 25.



SPEAKERS

The Rt Hon the Lord Patten of Barnes, CH currently serves as Chancellor of the University of Oxford. Patten joined the Conservative Research Department in 1966, and in 1974 was appointed the youngest ever Director of the Conservative Research Department, a post which he held until 1979. Lord Patten was elected as Member of Parliament for Bath in May 1979, a seat he held until April 1992. Following the General Election of June 1983, Lord Patten was appointed Parliamentary Under Secretary of State, Northern Ireland Office and in 1985, Minister of State at the Department of Education and Science. In 1986, he became Minister for Overseas Development at the Foreign & Commonwealth Office. In 1989, he became Secretary of State for the Environment, and in 1990, was appointed Chancellor of the Duchy of Lancaster and Chairman of the Conservative Party.

Lord Patten was appointed Governor of Hong Kong in April 1992, a position he held until 1997, overseeing the return of Hong Kong to China. He was Chairman of the Independent Commission on Policing for Northern Ireland set up under the Good Friday Peace Agreement, which reported in 1999. From 1999 to 2004, he was European Commissioner for External Relations, and in January 2005, he took his seat in the House of Lords. In 2006, he was appointed Co-Chair of the UK-India Round Table. He was Chairman of the BBC Trust from 2011 to 2014.

He is an Honorary Fellow of the Royal College of Physicians, Edinburgh, and Honorary Fellow of Balliol College, Oxford. He served as Chancellor of Newcastle University from 1999 to 2009, and was elected Chancellor of the University of Oxford in 2003.

Professor Rana Mitter is the Director of the University China Centre and Professor of the History and Politics of Modern China at the University of Oxford. He is the author of several books, the most recent of which is *Forgotten Ally: China's World War II, 1937-1945* (Houghton Mifflin Harcourt, 2013; UK title, *China's War with Japan*), which won the 2014 RUSI/Duke of Westminster's Medal for Military Literature and was named a CHOICE Outstanding Academic Title and a Book of the Year in *The Financial Times* and *The Economist*. He was elected a Fellow of the British Academy in 2015.

He has commented regularly on China in media and forums around the world including the World Economic Forum at Davos. He holds a Leverhulme Major Research Fellowship for 2019-22, during which time he will write a book on the making of the postwar Asian order. He presented "Chinese Characters," a history of China seen through 20 lives, on BBC Radio 4 in 2018. He is a regular presenter of "Free Thinking," BBC Radio 3's arts and ideas show, available as the BBC Arts and Ideas podcast. In 2015 he presented "China's Forgotten War" for History Channel Asia. His reviews and essays have appeared in newspapers including the *Financial Times*, *International New York Times*, *Guardian*, *Telegraph*, *Caijing*, and *South China Morning Post*.

INTRODUCTION

THE FIFTH SIR MICHAEL PALLISER LECTURE

We “have to take Xi Jinping seriously,” stressed Lord Patten of Barnes in the annual Palliser Lecture on May 21, 2019. Addressing an audience of Salzburg Global Fellows, supporters and friends at the Aga Khan Foundation UK in London, the last Governor of Hong Kong spoke in conversation with Professor Rana Mitter, director of the University of Oxford China Centre, which was moderated by Clare Shine, vice president and chief program officer of Salzburg Global Seminar. Lord Patten recounted his experiences with China and lamented British preparedness for a post-Brexit role in EU-China relations.

China joined the World Trade Organization (WTO) in 2001 with the understanding that reforms would take place on discriminatory industrial policies, government intervention in enterprise and its lack of transparency. Since then, the extraordinary economic growth of China has made it necessary for the European Union, its largest trading partner behind the US, to increase collaboration.

This has included negotiations for an Investment Agreement which launched in 2013, as well as development of the EU-China 2020 Strategic Agenda for Cooperation, which aims to promote continued cooperation on a “peaceful, secure, resilient and open cyberspace” as well as to “deepen exchanges on human rights at the bilateral and international level on the basis of equality and mutual respect.”

While the general aim of these initiatives is to better align China with European values, Mitter explained that Central and Southern European countries are often hesitant to criticize China's human rights record due to the benefits these countries have received from Chinese investment.

Despite this apparent progress on a Europe-wide level, there is a sense of unease and distrust about China as a global superpower. The recent scandal over Chinese smartphone manufacturer Huawei has made international headlines, like this week, Google barred them from certain Android updates following a US trade blacklisting from the Trump administration.

Trust is also waning in the UK after a report from the Henry Jackson Society advised a precautionary approach to the tech firm. The foreword to the report, written by former MI6 chief Sir Richard Dearlove, concluded "the engagement of Huawei presents a potential security risk to the UK." The leak of plans to give Huawei contracts to set up the new 5G cellular network in the country led to the dismissal of the UK Defence Secretary.

Lord Patten quipped that, incidentally, he believes the best British organization in dealing with China over the years has been MI6. As not only the last Governor of Hong Kong but also former European Commissioner and a senior British diplomat, Patten has witnessed a changing China.

At the Palliser Lecture, Patten recounted the expectations surrounding the emergence of Xi Jinping and how he has been a vastly different leader to his predecessor. Patten recalled how he and his colleagues assumed Hu Jintao's reforms would make China a more accountable society. In fact, under Xi, many of those reforms have been rolled back.

This was the fifth lecture to be held in memory of the Rt Hon Sir Michael Palliser GCMG, who died in 2012. He served as Vice Chairman of Salzburg Global Seminar and was a founding trustee of the London-based 21st Century Trust, which held the event in partnership and now works exclusively with Salzburg Global Seminar.

Reflecting on the strong authoritarian character of modern-day China, Mitter described the apparent prevalent attitude of Xi: “You will either follow me in cyber-enabled China or get out of the way,” referring to an emerging governmental points-based social credit system. He maintains that if Xi is not at the center of an enterprise in China, it is a lot harder to succeed, with Patten adding that it is misleading to assume that the government is not involved with Chinese business ventures.

Patten referred to the anti-corruption crackdown Xi has been at the forefront of, allowing him to “get a grip” on China, despite the targets being his own political opponents.

The UK will face many unprecedented challenges following its eventual departure from the European Union, one of which is its future relationship with China. Mitter put to Patten the question of how, without the shield of Brussels, the UK can avoid the “trap” of China.

Patten believes that this is one of the most pressing questions of our time: How can we avoid being trapped between the USA and China?

While the answer to this difficult question may not be clear-cut, Patten does not believe that a trade deal with China will be all it has been hyped up to be by leading Brexit politicians. He dismissed the Switzerland-China trade agreement, which is often held up as a beacon of hope for economic prosperity in post-Brexit Britain, as being mainly based in services and not even including one of Switzerland's trademark goods, the Swiss watch.

Patten debunked the rose-tinted spectacles view of a China-UK trade deal, remarking it would not compare to the UK's inclusion in the single market.

How does the veteran China watcher believe EU-China relations can best be managed? Patten laments that there are far too few people trained in trade negotiations and far too few are Mandarin speakers. While this is a problem across the EU, the UK will suffer particularly once it has left the union, and Patten cites a decline in funding for foreign language education as a contributing factor in the lack of British and European Mandarin speakers. It is apparent that progress in these areas will need to be made if the UK and Europe are to, as Xi Jinping has already, “get a grip” on China.

At the top of the lecture, Mitter posed the immortal words of Karl Marx to attendees, in relation to European engagement with China: “Men make their own history, but they do not make it as they please.” Time will tell how this history will unfold.

The fifth Palliser Lecture entitled “Europe and the Rise of China: How Can European (including British) Interests and Values Best Be Protected in a Multipolar World?” was delivered by the Rt Hon Lord Patten of Barnes CH, in conversation with Professor Rana Mitter, on May 21, 2019 at the Aga Khan Center in London, UK. The lecture was organized in partnership with the 21st Century Trust.



EUROPE AND THE RISE OF CHINA: HOW CAN EUROPEAN (INCLUDING BRITISH) INTERESTS AND VALUES BEST BE PROTECTED IN A MULTIPOLAR WORLD?

— **Lord Patten of Barnes**, *Chancellor of the University of Oxford;
28th and final Governor of Hong Kong*
*in conversation with Professor Rana Mitter, Director of the
University of Oxford China Centre*

Professor Mitter: I think we're looking forward to an extremely engaged conversation. There's a conversation, I think, this evening about not just where China is going but what that means for the UK as it enters its presumably post-EU phase of travel towards some sort of global future. [Audience laughs] I think I'm getting part of the answer there already...

Chris, you will know that, until quite recently, the last 40 years in China were ones in which the one name you really didn't bring up because he had almost no relevance, was one Karl Marx. On the other hand, the other place where you probably can't go through a day without hearing about him is Oxford University. So, I might start, if I may, with a line that we teach, I think even now our first-year undergraduates in history—which is one of Marx's actually more sensible lines, which is that human beings make their

**WE HAVE TO TAKE
[XI JINPING] VERY
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own history, but not exactly as they please. And I wonder if you might use that to think a bit about China today and its effects on the rest of us. Because on the one hand, many of

the big stories that we've become part of here in the West, China's rise to being the second biggest economic power in the world, geopolitical status, and to a whole variety of transnational issues like climate change, are as much sort of said due to the forces of history that people make a difference to. And there is one particular person, Xi Jinping, who came to power in 2012, who does seem in some ways to be a break with the relatively recent post-Mao past. Do you rate Xi Jinping as... a key factor, in terms of creating the China that we in the West are engaging with now?

Lord Patten: Yes, huge... Three points I'd like to begin with, however. First of all, to repeat what others have said of Michael Palliser. Michael Palliser was one of the great British diplomats of the last 50 or 60 years. Somebody who had no difficulty in understanding the relationship between moral concerns and values, and foreign policy—[a] big question today... Secondly, what a pleasure it is to be with Professor Rana Mitter, a friend of mine. So this is what in golf or tennis, you would call a “pro-am.” [Audience laughs]. He is the pro. And thirdly, I am really disappointed that this isn't Chatham House rules because the only time I'm ever quoted is when its Chatham House rules...

It's an extremely, extremely good, question about Xi Jinping. We have to take him very seriously, which is a sort of surprise because, as you know better than me, he didn't have a meteoric rise compared, for example, with Hu Jintao, his predecessor, or Li Keqiang, the present prime minister. He didn't do anything notable as a cadre going through the provincial post that he had. He had a very distinguished father, who was a great reformer, a great disciple of Deng Xiaoping in Guangdong.

When Deng Xiaoping was brought back after the Cultural Revolution, and people assumed that Xi Jinping would be like his dad. Well, he wasn't at all, and he got the job, I think. But you might like to add some knowledge

to this, rather than just my repeating what others have said to me. I think he got it, the job, because first of all, there was a sense of drift under Hu Jintao. Secondly, because the Chinese leadership was spooked by Bo Xilai, and what was quite clearly a sort of quasi-coup attempt to drive himself into the standing committee of the Politburo, and who knew what else. And there are also more than rumors about an assassination attempt on Xi Jinping, which caused his disappearance from public view for a fortnight when all these issues were being discussed. And the gossip is that it was his swimming instructor what done it. [Audience laughs]. A woman. There are sufficient really smart people who have said that to me, including the late, and great Rod MacFarquhar, for me to think there must be some truth in it, but whatever. Xi Jinping emerged at the top of the heap, and has been a very different leader to Deng Xiaoping [and] has rolled back a lot of Deng Xiaoping's reforms. And he is now responsible for Xi Jinping thought, with Deng Xiaoping Marxist-Chinese characteristics... You can buy a copy of his thought. It was printed in English in this country, last year, I think, and I think I'm right in saying a 100 copies have been sold. [Audience laughs].

Professor Mitter: One is on Mark Zuckerberg's desk, apparently, Chris. I guess it's getting in the right places.

Lord Patten: Oh right. What it basically says is quite profound. We're here because we're here, because we're here, because we're here, because we're here... What really matters about him, is as you might now explain to us, is that he's rolled back many of the important Deng Xiaoping reforms, which we had all assumed would gradually, not immediately, but would gradually make China into a more accountable governance system, a little bit more like us.

Professor Mitter: I think that is an extremely useful summary of many of the changes of the personality of Xi Jinping. He does appear to have quite a personality, and many argue that the previous President Hu Jintao was not someone who...

Lord Patten: Nice man, though. I met him, and he was a perfectly charming fellow. He didn't sing, unlike Jiang Zemin, [Audience laughs] but he was very nice.

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Professor Mitter: Was that a blessing, do you think? [Audience laughs]. Well, we shall have to wait, I think, because, in the case of Xi Jinping it is his wife who does the singing. She's actually one of China's best-known folk singers, but he has other things to occupy his time. And I think the two factors, if we go back to the context of what has made Xi Jinping what he is, that I think are different

from certainly 10 years ago, maybe even five, one has to do with technology, and the other one is to do with the growing glamour, and I am going to use the word not entirely in a positive sense, I must say, of the kind of authoritarianism.

So the first one is basically something that anyone who goes to China will have noticed is worth really flagging up, which is the way in which it is turned into a wired society. And it's also doing its very best, I think, to try and push back against the idea that greater interaction and greater social media will necessarily create a more liberal society. For a short time, perhaps after the Beijing Olympics in the early 2010s, it looked as if that was the direction that things are going. But, in fact, the Communist Party did manage to get a hold on that way of doing things. And now, in fact, the things that you've mentioned, Chris, Xi Jinping Thought being a very obvious example of that, have been brought into the cyber world and dominated.

So the example that I like to cite is that if you feel so inclined, and I don't know what's on your mobile phone, but you can download the Xuexi "Study Xi" app, which will give you a chance to test yourself on your knowledge, or the thoughts of Xi Jinping. And being high-level technology, it's not enough to simply kind of flick through it before you head off, you know, for an evening in the pub, or wherever it might be. Being high-tech, it can

monitor how long you are looking at it, how much you interact with, how many you get right [Audience laughs], and these are going to be very, very important things in the world where, as you know, a social credit system is emerging in China, in which your points for good behavior, will affect the way that, for instance, you get a chance to join the Communist Party itself and therefore make your way leading up the ranks of the party.

So, Xi Jinping's presence has coincided with the technological capacity to really keep major tabs on that part of society, particularly the elite, which it's looking to bring into the party fold. And the flip side is that I do think it's significant, not coincidental, that Xi Jinping has emerged in the post-2008 world, where the liberal consensus in all senses of that—both economic liberalism and political liberalism—has at least temporarily found itself in a bit of a “Slough of Despond,” no insult to Slough, which is a fine place. But there's plenty of despond going on at the moment.

The rise of these sort of strong man leaders—and perhaps, Marine Le Pen aside, they are mostly men—is one that sees this idea that maybe a strong authoritarian character is just what people actually need to pull themselves out of this sort of malaise. And that I think has given huge leeway to Xi to really operate this kind of top-down, very, very strong system, in which he says... I think that the line that some people have been using recently is that, “It's my way or the Huawei.” [Audience laughs] I wish I could claim to have invented that, but I fear I stole it from some journalist or other, but it's rather a good one.

In other words, the statement, it does make sense, though, because the statement, essentially, [says] that you will either follow me in this new cyber-enabled China, which is, you know, riding to the sunlit uplands of a very different, much more authoritarian, but highly economically prosperous society, or you can get out the way. The sort of silent ability to just stand to the sidelines under Jiang Zemin and Hu Jintao, that, I think is going, and whether you're academic, whether you're in the media, whether you're in law, whether you're in all of these sort of rising professional areas, if you haven't got Xi Jinping at the center of what you're doing, it's much harder to operate now.

Lord Patten: How much truth do you think there is in the suggestion that he, or more particularly, the man who was originally his closest intellectual adviser, Wang Qishan, who ran the anti-corruption campaign—that they were obsessed by one book of political philosophy, political science, which was surprisingly by Alexis de Tocqueville, and not democracy in America, but the Ancien régime and the French Revolution... Wang Qishan had taken two lessons from this: first, that societies don't become easier to govern because people are getting better off. Indeed they become more difficult to govern; and secondly, that authoritarian regimes are always at their most vulnerable when they try to reform or change. Now, I'm not sure that I would want to compare, otherwise, Xi Jinping with Louis XVI, but there's quite a lot of—not least the sales of the book—in China, there's quite a lot of evidence that that really did matter to Wang Qishan and Xi Jinping.

Professor Mitter: Well, for a minute, when you were quoting the work that inspired them, I thought you were going to mention that moment when Xi turned up, I think, at Sunnylands in California under Obama's presidency and announced to the assembled company that many people might think that China's politics was like the TV show House of Cards, and it wants to assure everyone that that wasn't remotely the case, which suggested that least, Xi has a speechwriter with some sense of irony... [Audience laughs] It's quite well attested that Wang Qishan indeed, had been talking quite frequently about Tocqueville as a very good thing to read if you want to understand how regimes that were potentially under threat might crumble. And I think that the lessons that have been taken from that link very specifically to the issue that you just mentioned, which is anti-corruption. If we're talking about why Xi Jinping has been able to get the kind of grip on Chinese society that he undoubtedly has, I think that the one factor that really did it for him was lasering in on anti-corruption.

Now, many people, not least in China, have observed that the people who got taken down for anti-corruption, starting with the retired deputy-head of the army, Xu Caihou, and others, were all oddly enough, possibly



political opponents of Xi Jinping, to which I've heard various commentators—who I know in—in private say, “Well, this is true, but the thing is, they were all fabulously corrupt, and to some extent we don't really care about why they were taken down, as long as they were.” So, in terms of a populist move that would bring in a certain amount of kudos for him, he targeted rather cleverly on that and certainly Wang Qishan was very much, from all accounts, hand in glove on that particular question. They were so inspired... that actually you may remember that two years ago,

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there was a hit TV series on Chinese TV called *In the Name of the People*, which basically was a kind of version of, but with Chinese anti-corruption inspectors bashing down doors, and finding these sort of half-dressed officials with their mistresses and jewels, and so forth, or sitting there. So it had a sort of popular element as well that Xi actually managed to use as well. Now that things are not going so well, of course, with the trade war and so forth, there is some question about whether all that all-dominating nature that Xi has managed to build up is quite as strong as it was—but that's still a story in progress, I think.

Lord Patten: Let's turn to us for a moment, rather than just Europe because we're looking forward to being outside the European cage in the years ahead and doing fantastic trade deals...with China, like presumably, Switzerland and Australia, and we might come back to those deals in a moment or two.

How do we deal in what ministers occasionally, without any obvious sense of embarrassment, call the “golden age of relations” with China? How do we deal with this extremely big economy, which is used to other countries dealing with it on the basis—the only thing I've ever agreed with Tony Abbott, the poor [former] Australian Prime Minister, about—they've been used to us dealing with it, and we've been used to dealing with it on the basis of fear and greed? How do we deal with this great economic power when we're outside the European Union, not part of a bloc of 550-600 million, but on our own, with Liam Fox [UK Secretary of State for International Trade] carrying the banner? [Audience laughs]

Professor Mitter: A quick thought on that, though, I do eventually want to throw it back to you, Chris, because there's an element of it which I think everyone here would love to have your opinion on, but just a quick thought on that is that for a start, we, meaning the UK, need to start to get to know and understand what's happening in China, and what it is very, very quickly. Let me just give one quick example of what I'm talking about. During the last five or six weeks, the name of Huawei, which we've already

heard about once or twice tonight, has been part of the news headlines pretty much every day. And it's becoming increasingly clear that the vast majority of people involved in discussing the Huawei issue haven't really gotten a very clear idea of what it actually involves—not that it's good or that it's bad but simply in terms of the level of understanding what's involved.

So, we've had statements made—not least by people close to Huawei—that it is a private company, that's entirely—you're grinning for some reason, Chris, I don't know why that would be—a private company that's entirely separate from the Chinese Communist Party, etc. and the reason this makes people who have a Chinese specialization slightly puzzled, indeed would make most Chinese people very, very puzzled, including high-up officials of the CCP, is that, for a start, it is known that if you have a corporate enterprise, Chinese or foreign in China, the first thing you have to do is get a Communist Party cell set up. Actually, I'm told they can be quite useful because they are a sort of hotline to the local government. But the idea that the party is in some way separated from so-called private companies is simply misleading.

The other element that I think is worth bringing up as part of that discussion is also the understanding that we in the UK are having this discussion about whether or not Huawei should provide our 5G infrastructure because actually, we in the West more broadly, are in a position where there are actually very few companies that could do this for us. If we don't have Huawei, then I'm told by experts that Ericsson is the other corporation that could do this. So essentially we're saying that we want to keep the Ericsson corporation, who I'm sure are fine people, maybe they are here tonight, [they] are essentially a monopoly provided to us. And you know, nobody is forcing us to install Huawei equipment. So how have we got ourselves in a situation where that is the choice before us? I wonder if part of the answer to that comes from questions that you would know about from your period as European

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NEGOTIATIONS ON THE
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HERE WAS AMERICAN
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Commissioner because you must of spent at least some of your time negotiating with the Chinese trade negotiators in those days. Were they are always smooth, easy, and quick discussions, like the ones that apparently we are going to have once we're out of the EU on trade? [Audience laughs] Is that how you describe them?

Lord Patten: ...Don't forget I'd been the "triple violator" in Hong Kong, and I went almost straight away from Hong Kong to be a European Commissioner responsible for our relations with China, and the very first meeting I had [was] with the Chinese Foreign Minister, Minister Tang [Jiaxuan]. [He] was an extremely nice man—courteous, charming. His staff clearly liked him a lot—they laughed at him, not just at his jokes. [Audience laughs] He was a very, very amiable fellow, and he came to me for our first meeting in Beijing, and he said to me, "This time," he said... "We must cooperate." And I said, "But that's what I wanted us to do last time." [Audience laughs] ... He had a big sheaf of notes and he read very carefully from them. But first of all, he looked—we had pictures... on the wall of my office in Beijing—at my daughters. And he looked at them and said, "Are they your daughters?" So I said, "Yes." He said, "How come such beautiful daughters have such an ugly father?" [Audience laughs] I thought the Ambassador to the EU was going to have a heart attack. [Audience laughs] This was supposed to be a warm-up meeting before the WTO negotiations started, and he kept on saying, "The minister is telling a joke, the minister is telling a joke." [Audience laughs]. Anyway, he then went on and read very carefully from his notes that the Chinese leadership had considered my position, and they had decided that I was a friend of concord, not discord. Big stuff because I'd been condemned for a thousand generations only four years before. So, after the meeting, the Chinese Ambassador in Brussels phoned up my chef de cabinet, and said, "Did you take those words down carefully because they were agreed by the leadership of a friend of concord,



not discord?" So I'd been promoted.

We then had the negotiations on the beginning of the WTO, and those negotiations were really primarily with Zhu Rongji, who was the most intelligent, capable, international official I ever dealt with. An incredibly talented man, who while he was running China, and handling pretty much everything domestic under Jiang Zemin, and while he was dealing with things like these, very complicated trade negotiations, he was perfecting his English. I mean, he was taking English lessons. He must have had an extraordinary intellectual capacity, and the Chinese at that stage took Europe very seriously because it met their worldview. I mean, here was American dominance challenged, and here was another rising global authority. We mattered, we worked together, we had these agreements on regulatory issues and so on, and the Chinese had to take them seriously. And I think the Chinese were slightly surprised when they discovered how useless we were, that they could play off one country against another, that while there was allegedly one European relationship with China, every member state

wanted to have its own bilateral relations. Every member state's foreign minister and trade minister wanted to come to Beijing several times a year to have negotiations. So, I think we sort of slightly disappointed those who took a rather more politically, philosophical view about what was happening in Europe.

So, my experiences in dealing with China at that stage were that they were very serious about the WTO, they were changing slowly but steadily in a direction of which... we would have approved. And that they were quite amiable to deal with. Not that they cheated—well, no more than the Russians, no less than the Russians did. And frankly, I don't guess that anybody who's negotiating with American trade negotiators would think they were entirely straightforward. But with somebody like Zhu Rongji, you actually believed that they would probably stick to what they said. I don't have any more belief that that's true, but they had a tendency. First of all, you never really knew who you were negotiating with. You'd go through painful negotiations; nothing would change, nothing would happen. And then clearly the people you were talking to, went off, and got new directions from whoever was in charge, and everything would change very rapidly.

The Chinese always took the view, which was entirely correct, that if you got your boss in to see them after a long and painful negotiation, it would be a disaster for you. Because, particularly in corporate affairs, the company chairman goes to Beijing, he has a great feast. Nowadays, fewer

than 14 courses. But he gets 14 courses in the Great Hall of the People. He meets several vice premiers. They all say how much they want a relationship with you and how much they want a deal. He goes back, he leaves some poor schmuck on the ground, six months later nothing's happened, and he remembers China again, when he's reading the *Financial Times* or the *New York Times* [Audience laughs], and says "Well, why haven't we done that deal yet?" The poor schmuck gets

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phoned up, and suddenly finds himself having to make compromises, which he knows make no sense at all because he's been pressed from both ends. So, the person who wrote the best book, I think, on negotiating with China, said never ever let the boss [or] let the company chairman anywhere near the talks because they will always be a disaster.

I'm sorry. I'm banging on, but my simple answer to your question is that they are very difficult to negotiate with, but most countries are, that they increasingly, which is a problem for us today, don't keep their word, but then, nor did the Russians. But if you make it clear that you know they haven't kept their word, and if you make a fuss about it, they're more likely to keep their word next time. So, on that basis, and keeping the chairman or the Prime Minister or whatever out of the way, I'd be happy to talk to them. They start with a principled position. We have a principled position—we can't begin the negotiations unless you accept our principled position.

Professor Mitter: Are you offering yourself up, Chris, as perhaps a sort of start of a new free trade discussions with China, [Audience laughs] once we're free of the EU shackles?

Lord Patten: For the golden age? I think probably not. I think I'd be wrong. But I'll tell you what I used to think, and this is a serious point. You began by talking about expertise. We have far too few people who are trained in negotiation. We have far too few Mandarin speakers, and it has to be said Japanese speakers, and difficult language speakers... We have a fantastic German school faculty at Oxford, and getting kids from schools who have German A-levels to come in is really difficult. We've become awful—awful—at modern languages, at any languages. So we should actually be much better at encouraging people to learn difficult languages. We should be much better at encouraging China studies. We should have more people. I bet there are fewer China specialists in the Foreign Office today than there were 20 years ago, or 30 years ago, or 40 years ago.

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Professor Mitter: Although we should add that the ones that there are, are extremely good...

Lord Patten: I'm sure they are. In my experience—this is certainly meant for any friends of the Chinese Embassy who are with us today—in my experience, the best British institution in dealing with China was MI6 [Audience laughs]. They were absolutely terrific. They were very smart, they had very linguistically able spooks around, and they had people who've been following Chinese politics for years. People like Nigel Inkster in the past, and others, were really, really good.

Professor Mitter: Although Nigel has always complained that his education at Oxford University in Chinese was almost entirely in the classical language, and you had to learn modern Chinese somewhere else [Audience laughs] because it was considered beneath their dignity to teach it in those days.

Lord Patten: But we once had a Japanese Ambassador. Alas, he died a few years ago, Sir Hugh Cortazzi. During the Falklands campaign, unfortunately, the Japanese always assumed he was the Argentinean ambassador. [Audience laughs] So they would talk to him about the importance of defending distant islands and so on. Anyway, Hugh Cortazzi spoke perfect classical Japanese, but the only people who could understand him was the Emperor [Audience laughs].

Professor Mitter: It's good to know these things because since now have an Oxford grad as Emperor of Japan [Naruhito].

Lord Patten: Yes, absolutely.

Professor Mitter: ... At the moment, it seems to me that if we don't watch out, meaning the UK, we're currently walking into something of a geopolitical pincer, and we need to be acting with that knowledge now. Which is the United States, which is becoming increasingly hostile to other countries, for instance, doing free trade deals or any kind of agreements with China in particular, perhaps for perfectly good security reasons, but it's becoming a very, very either/or situation, and of course, on the other side, China, which as we all know, tends to be in its official statements, to be somewhat bemused by Brexit, but, obviously, is willing to talk about new agreements in a post-Brexit world, but nonetheless, once there's clearly to be agreements that actually are advantageous from the Chinese point of view. And these two things which we were able to sort of fudge in the European Union situation, we could always blame Brussels, if we said, "London would love to do this for you, but it won't go down at all well with that man Patten in Brussels," for instance, we won't have that shield anymore. Do you think that this is a potential trap that we can avoid, and if so, how should we do that?

Lord Patten: I think you have hit the jackpot. I think that is the most difficult issue we face, being trapped as it were, America-China, between chlorinated chicken and Huawei. [Audience laughs] And if you want to know how the Chinese see it there—there was an article in the Telegraph by the Chinese Ambassador, [Liu Xiaoming], who's not the most delicate of diplomats. He wrote a piece about post-Brexit and Huawei and dealing with China, and basically, he says, "You know, grow up if you want to do business with us. You got to behave in ways of which we approve."

On the other hand, you have Donald Trump arriving for a widely heralded and much enjoyed, I'm sure, state visit in 10 days' time, following Mr. [Mike] Pompeo, [US Secretary of State], bringing a slightly different message. The one thing one should always try to avoid in diplomacy is being put in a position where you have to make those sort of choices. It's crazy.

On the whole, we've managed to avoid in doing business during "the golden age" with China. We've managed to avoid politics getting too tied



up with economics. But if you're responsible as gallant Blighty on your own, if you're responsible for dealing with issues like, whether or not we sell arms to China—a big issue for them—if you're involved in what you do about human rights issues in China, like what's happening in Xinjiang at the moment, which is appalling, if you're involved in having to design your own trade defense mechanisms—because we're all subjected, I mean, it's not just Trump who raises these issues, they're raised by Europeans—if we're in that position and doing it on our own, it's going to be extremely difficult. If you think that you can only do business with China if you go along with China's political agenda, now, I happen to think that that is... not true...

Nevertheless, it's the way diplomacy has been driven over the years. So, I think it's going to be very difficult for us to manage all this on our own, and people sometimes say, "Well, look at the Swiss trade deal with China," or "Look at the Australian trade deal." The Australian trade deal was a hugely inconsequential, but also politically embarrassing deal for the

Australians. And the Swiss one, which is mostly about services, the Swiss one insofar as it covers manufactured goods. Think of something, apart from chocolate, the Swiss sell to the rest of the world. Would watches come to mind? The Swiss one doesn't cover watches. The Swiss one gives China tariff-free access to the Swiss market straight away. It gives tariff-free access for the Swiss to the Chinese market after 15 years. So, that's partly because the manufactured part of the deal doesn't matter very much and because Switzerland has a trade surplus with China already. And the main thing they were interested in was ownership of financial services in China... So the point I'm making is there aren't wonderful models out there which Dr. [Liam] Fox and his colleagues can pursue, and nothing, nothing out there which is as big as, which is competitive with what we get at the moment, from the biggest market we have, which is the European Union. So, good luck, Department for International Trade. [Audience laughs]

— **Clare Shine:** ...Coming back to the title of this lecture, I'd like to ask first in terms of the European Union, you know, we can think of them as a sort of Harry Potter-esque invisibility cloak, and behind which we hide and protect ourselves, but actually, the EU is very divided. The EU member states are very divided, and having different levels of nervousness in terms of how they're going to react to the rise of China. That was really my first question about how you see the state of the fissures within the European Union member states at the moment. And my second, coming back to Blighty, to the UK, is simply who's in charge and is there an appropriate level of understanding and urgency? But if we can start with the EU...

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Professor Mitter: We have a Common "Fissures" Policy. [Audience laughs] Well, I'm here all week...

Lord Patten: The European one. I think in the past there was a general enthusiasm right across the European Union, a bit like the 19th Century in the textile industry. If you could only get the Chinese to wear slightly longer jackets, [and] coats, it would solve the textile industry in Lancashire. [Audience laughs] It was said they'd all buy more of what we wanted to sell, and that was a view for a long time, and anything that was likely to produce investment from China in your country, or exports from your country to China had to be a good thing. I think the views have changed on that quite a bit, in some countries, and the most important one, in which that view has changed, is Germany.

I think Germany has become much more concerned about predatory investment in high-tech industries. If you look at Chinese investment in Europe over the last few years, it went up very rapidly and spiked in about 2016. It's come down since then—2017 [and] 2018—because a lot of the showboat spending on things like hotels and football teams has been controlled [and] has been brought under control by the government. The investment in high-tech is continuing and is very high. And the Germans, rather like Trump—and they have more in common than they would think—are pretty concerned about this.

Eighteen months ago, the Chinese bought the major German robotics firm, KUKA. The idea that Germany could buy a major robotics firm in China is for the birds. So things like that have started to have an impact on the more successful, particularly Northern and Western European countries. And that's had an effect on the pressures on the European Commission,

which handles trade issues. There's been a difference in Eastern and Central European countries, which are weaker, and I have to say... on Italy, and the Italians need money wherever they can get it. The Italians are now very keen on the Belt and Roads Initiative and borrowing more money from the Chinese if they will get it, if they give it to them—and the Hungarians, and Poles, and Czechs as

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well. The Chinese... I mean, not with any great difficulty, have been trying to divide European countries—some from the others. And what does this mean? A very good example is the Port of Piraeus, which was the first big Belt and Road Initiative investment in Europe. As you know, while there are some things about the Belt and Road Initiative which are terrific, by and large, it's exporting overcapacity and debt to other countries. So, with the Port of Piraeus, and the port itself was so heavily indebted that it couldn't invest in development of the port, and the Greek government couldn't borrow money from anybody. So they sell the Port of Piraeus to a, I think I'm right in saying, a subsidiary of Cosco, the Chinese container company. The Chinese company that bought the Piraeus was six times as leveraged as the Port of Piraeus. How do you manage that? You manage that by exporting your debt, by having as much in the back room of American treasuries as you piled up 10, 15 years ago, which is one reason why Chinese indebtedness is now 300 percent or thereabouts of GDP.

So you have countries in Eastern and Central Europe which are now very reluctant to criticize China's human rights record because there's so much Chinese investment in them. And you have other countries which are really worried about the extent to which Chinese investment is predatory in their own countries. And the Germans... have been much more forceful, for example, about Hong Kong. Their statements on Hong Kong and other aspects of German affairs than anybody else. They don't do such good business in China because they are so servile with the Chinese, they do good business because they make the things that the Chinese want to buy. Surprise, surprise.

Lord Patten and Professor Mitter proceed to take questions from the audience before Clare Shine summarizes the discussion.

Clare Shine: ... Just a couple of thoughts stay in my mind. I know it's so frustrating to truncate a great rich debate, but you know this lack of urgency and foresight has come up in different ways through the conversation... It's actually two months ago today, which said that the EU is only this year for

the first time in 30 years, having a high-level EU-China Strategy Session. Now that was a lefty piece. But that idea that we, I'll paraphrase you, "Took our eye off the ball," [and] saw as you said from Germany, the great things that are happening economically but perhaps didn't understand the fuller picture, is a really interesting issue both for the EU and for the UK.

What are we looking out for? How full is our understanding? And also, at a personal level, can we think beyond the language of "getting tough on China?" Because as we know from Theresa May, the way you frame an issue—Brexit means Brexit or whatever—is also very formative of the way in which the societal and the political landscape goes forward. We also heard this phrase "the rule of or by law," and that's a very interesting concept to come back to... about what is the question of the international rules-based order? What is the health of those institutions we perhaps took for granted? And how are we going to rise to the challenge that was set to our forefathers when Salzburg Global Seminar was being founded in 1947 when we imagined that architecture post-World War II? And lastly, really that issue of what will be the fundamental red lines? Where are we going to make a stand? And the we could be "Chinese we," a "UK we," a "European we," [or] "a US we." But these issues of the US, China, EU, and [the] UK: what is that new geometry going to look like, and where will the future leadership imbalance emerge from?

And, I guess my final question would also be, or my final comment... this is really also a cultural question. The issue of whether countries choose to invest in historical education for their young is not confined to China. We are seeing that played out in the UK context now with, in my view, a conscious choice not to educate the next generations about the history, and therefore how to take decisions responsibly when we are confronted with them. So there are some complicated things. We didn't come here to find answers, but I am profoundly grateful for having a very rich and challenging conversation.



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Lord Patten



THE INSTITUTIONS AND THEIR WORK

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