

Episode 44: China's Three Wafares

- Speaker 1: Welcome to the Bill Walton Show featuring conversations with leaders, entrepreneurs, artists, and thinkers. Fresh perspectives on money, culture, politics, and human flourishing, interesting people, interesting things.
- Bill Walton: Americans are now in the midst of a furious fight about the Mexican border wall. We also have Russian meddling in U.S. elections in the news, and the knock-down, drag-out trade negotiation with China, but what bothers me is that China is much more important than we give credit to it being. They've got a lot more on their mind than simply making money from trade. China is aggressively expanding its dominance in the Pacific Ocean. They're using economic development projects to take control of key ports and infrastructure in developing countries, and it's expanding its internal surveillance systems to achieve global reach, but China is tough to figure out.
- Bill Walton: It's a growing authoritarian state run by a communist politburo filled with engineers who also happen to have 150 IQs because of their civil service selection system, but it also is the largest single contributor to global economic growth, homes to dozens of billionaires, and the largest market in the world for consumer luxury goods while hundreds of a million of Chinese live in poverty. The bottom line, aggressively China is moving to acquire resources, influence and territory to project national will and this is what one of my guests today defines as the object of war, Dr. Stefan Halper. Welcome, Stef, old friend.
- Stef Halper: Thanks very much, Bill.
- Bill Walton: Cambridge professor, author of the Beijing Consensus, and worked for years in the White House and Pentagon and various government agencies advising on China and all things Asian. Welcome.
- Stef Halper: Thank you.
- Bill Walton: And with me also is retired rear admiral, James Stark, who spent 93, no, 33 years.
- Jim Stark: 33.
- Bill Walton: You're not quite that. I knew you were seasoned.
- Jim Stark: It seems like 93 sometimes.
- Bill Walton: You're a seasoned guy. 33 years as the naval officer working in strategy and policy at the Pentagon and the White House. He was also president of the Naval War College.

Jim Stark: Correct. Good to be with you.

Bill Walton: Jim, welcome. Stef welcome. You two have known each other for a long time. Who wants to go first? Where do you think we stand? Stef.

Stef Halper: Okay. Where do we stand with China?

Bill Walton: I think the thing that's interesting to me is that we talk a lot about the negotiation we're having now with China on trade using tariffs, but underneath the tariff issue there's really the much more important issue of the theft of intellectual property, the coerced, putting people on boards of American companies they're doing business in China, and there's a lot more going on in China with trade than just tariff and things like that.

Stef Halper: You're quite right. Well, we're in a struggle with China at the moment to try to deal with their policy on several levels. On the trade level, the trade issue, we're trying to get some balance in the trade numbers where China is and has been for some time in a strongly advantaged position selling very much more to us than we sell to them. That has meant that our manufacturing sector, our export sector, and other parts of our economy has been disadvantaged, so that's one of the things that's being discussed now in these China-

Bill Walton: Disadvantaged because we let them into the World Trade Organization.

Stef Halper: Well, certainly.

Bill Walton: All right.

Stef Halper: Since we did do that in 2002 we've seen a vast decrease in our sales to China, and in our market share. China has moved very quickly to consolidate its position internationally, but in addition to that which is a tactical question we're concerned with China's theft of intellectual property. The forced transfer of intellectual property by U.S. corporations to the Chinese is a real problem because these are the type of information that makes corporations unique, and capable. The other things we're very concerned with are cyber intrusion, cyber theft, cyber espionage, all of which China practices regularly. So those are the issues that are on the table. China has used its vast hard currency resources to lend money to countries around the world who it turns out have difficulty repaying it. This is another part of our conversation, but, I think, I should just mention that.

Bill Walton: Jim.

Jim Stark: I would agree with Stef. I think that China has been in a very subtle, but very reeled conflict with the United States for the last 25 years it's just been below the surface. It's only been recently that our government, and then American business has realized that we've been pushed back, so China intends to re-exert

its hegemony throughout East Asia, push the United States out of the region. They will be using a whole variety of tactics, techniques. These are economic. They're political. They are undermining our alliances. They're pushing out to change some of the elements of international law, for example, they signed onto the U.N. Convention on the Law of the Sea, but when they lost the court on the basis of that treaty here a couple of years ago they simply decided to ignore it and say, "Well, that doesn't apply to us." China is changing the rules of the game even as they are exerting themselves as a major power. I don't think the United States is against China taking its rightful place in the world, but I don't think it has to be a completely zero-sum game, which is the way the Chinese are playing.

Bill Walton: Well, Stef, when I talked about you in the introduction you defined the object of war as acquiring resources, influence and territory to project national will, and that is the definition of war. You also have been involved in a study, and I think you may have been involved with this as well, China the Three Warfares.

Stef Halper: That's correct, yeah.

Bill Walton: In it you define these three warfares as not the way we traditionally think of it as getting out the ships and the guns and the airplanes, but rather something else.

Stef Halper: Right. The Chinese have been very clever in projecting power through the media, through psychological intimidation, and through manipulation of the law. They call it lawfare. Jim just mentioned the issue in the courts two years ago when China was brought to the International Tribunal on Law of the Sea by the Philippines who claimed that China was intruding on their territory in the South China Sea. China lost that case, and as Jim said they simply ignored it. They would not accept the conclusions and they just simply moved on. Well, what does that mean? It means that the Chinese are quite happy to operate outside the law. They do not feel constrained by the law as promulgated. This is a problem. I mean, it's been a problem in dealing with them all the way along. When they promised not to militarize the islands in the South China Sea, President Xi Jinping stood in the Rose Garden and made that promise to the American government and the people, and then he went right ahead and put missiles and ships and everything else on these islands.

Bill Walton: Well, you get at something they have a view of themselves as what, an empire. Empire is not the right world, what is?

Stef Halper: Middle Kingdom is what they call themselves.

Bill Walton: Middle Kingdom.

Stef Halper: Yeah.

Bill Walton: And a Middle Kingdom doesn't have a relationship with other states the way European states think of it is as we respect your territory and vice versa, but they don't see it that way. They think if there's a Middle Kingdom there are no other states. They are the state.

Jim Stark: They're the [inaudible 00:09:19] power. Everybody else is-

Bill Walton: The what power?

Jim Stark: The [inaudible 00:09:20] power.

Bill Walton: Okay.

Jim Stark: First among equals. The big brother with the little brothers around who recognize it and bring tribute to the emperor in Beijing and bow down before it, and that's what they're used to, and they lost that back in the 19th century and they resent it. So they are essentially a revanchist power that aims to regain what they lost when the Europeans came in and forced them to their knees. They feel very resentful of what the West has done, and they're going to change that any way they can.

Jim Stark: I think another thing to point out is that when China makes an agreement they view it as temporary. Temporary may be 10 or 20 years, but they may be stopped from wherever they're going and then they're still going to keep pushing. The goal never changes. I'm reminded of the story about Henry Kissinger asking Chou En Lai what he thought of the French Revolution and Chou En Lai said, "It's too soon to tell." The Chinese has a very long timeline. Even if we reach agreement with China we should not expect them to unilaterally hold to that agreement. They'll do whatever they have to do until they can get a chance to start pushing back again.

Bill Walton: Yeah, I worked on Wall Street and probably should go unnamed, one of the very successful financier deal guys on Wall Street once informed he. He said, "This contract is just the basis for our next negotiation."

Jim Stark: Exactly. So you're familiar.

Bill Walton: I'm very familiar right here in the good old U.S.A.

Stef Halper: But you know the last point you made, Jim, about all of this being temporary or subject to political and other change that's exactly what the argument is about right now in Beijing is these latest round of talks conclude because the U.S. side wants concrete timetables for China to act on its commitments, and they want to have ways of verifying that and the Chinese, of course, are very hesitant to provide it.

Bill Walton: Yeah. So there's a time for it. We're now in the midst of I mentioned the trade negotiation that's ongoing. Bob Lighthizer is working that now.

Stef Halper: Yeah.

Bill Walton: Do you like what he's doing? Are we approaching this in the right way?

Jim Stark: I think it's realistic.

Bill Walton: Yeah.

Jim Stark: I think American business for a very long time has deluded itself in seeing China as the pot of gold at the end of a rainbow, and gone in expecting that they were going to get access to these hundreds of millions of potential customers, and in the process the Chinese have imposed conditions on them that essentially undercut the whole contract. I worked for a company that saw that happen to some of our things that we went in, we sold some equipment to the Chinese. This was commercial equipment and they back engineered it and pretty soon they were producing it for themselves, undercutting us in the Chinese marketing so we never got access to it, and then they were selling it on the world market, so they were taking away all the rest of our customers too. So the whole thing backfired. I think a lot of U.S. companies are finding there are significant prices to be paid when they're chasing this ephemeral goal of the Chinese market it's just not there. The Chinese won't let it.

Bill Walton: Well, I think we assume that if we went in we would end up developing trade relationships with everybody. They would become more of the liberal democracy and enter the Western world as one of the players, and the trade would actually bring about the promise of peace so instead that hasn't happened. We now have Xi as the president for life, and we've had I guess since he's been in power what, six years, seven years?

Jim Stark: Six.

Bill Walton: Six years, we've seen a complete reversion to the authoritarian almost Mao like leadership.

Stef Halper: Yeah, he's even copying Mao's signature.

Bill Walton: Oh, no.

Jim Stark: He's into calligraphy.

Bill Walton: Well.

Jim Stark: I'm reminded a little bit of something that we in the military for a number of years we've been trying to develop personal relationships between our senior

commanders in this case in the Pacific with their Chinese counterparts so we have reciprocal ship visits and staff meetings, and supposedly these four-star admirals and generals will become, if not friends, that at least familiar with one another so that in a crisis the ideal is that you can call him on the phone and say, "Hey, what gives? This is what we're trying to do. Can we de-escalate this?"

Jim Stark: The reality, though, is that even as we've done all of this we've forgotten the fact that the Chinese military is completely controlled by the Central Committee of the Communist Chinese Party, and that when our guy in a crisis picks up the phone to call his counterpart there's nobody at the end of the phone. They cannot afford for fear of their lives to be seen as working together with us against the interest of China, so all of these things that we try to do to deescalate the head of a crisis tend not to work when push comes to shove.

Bill Walton: You've written a piece for, I think, that studied China 2020 about-

Jim Stark: 2030, yes.

Bill Walton: 2030, alternative futures for China and one of the interesting distinctions I think you drew on that maybe it was someplace else was that you have the Chinese Communist party, and you have the Chinese, and those are not necessarily the same thing. If you had China without the Communist Party, although, that's inconceivable to see. I think it's rolled back. Do you have a different relationship with China? Is it a party issue, or an issue with the Chinese as a people?

Jim Stark: It's a bit of both, but I think China as a nation independent of what sort of a government it has is still going to have a very traditional view of itself as the Middle Kingdom, which deserves this recognition, and have its neighbors accommodate China's wishes. It needs to see itself as the preeminent power in the Western Pacific, and that the U.S. is going to be pushed out regardless of whether it's a communist or an independent government.

Bill Walton: So how is China projecting that power in the Pacific now?

Jim Stark: Well, they're doing it certainly economically. They have become part of the TPP. Sadly the U.S. walked away from that trading system, but everything we want in trade policy, and then we just unilaterally said, "No, we can't do that." What it meant is that the United States has now been displaced as the go-to power in economic policy in the Far East. They're doing it militarily. They've had enormous increases in their military capability.

Jim Stark: In the past I would have felt very comfortable saying that the United States could knock down if it ever came to an open conflict we could knock down Chinese military, and push ourselves right up to their coast and impose our military will upon. That's no longer the case. We cannot operate in the South China Sea, or the East China Sea in an actual war. We're going to have to stay out of there. We can operate nuclear submarines in there, of course, but my

sense is that the Chinese military has now achieved a point where it can deny us access to certain areas within the first island chain that goes from Korea, Japan, Taiwan, the Philippines, Indonesia, all the way around to Vietnam.

Stef Halper: The interesting thing about this, Bill, is that we've known this for a while. It was all made very clear to the Obama administration. The admirals were requesting on a continuing basis that they be permitted to run freedom of navigation exercises which would have put U.S. warships through the South China Sea and inhibited their efforts to militarize these islands, but those approvals were routinely delayed often to the point where they never came at all. So the Chinese had basically a free path to militarizing the islands in the South China Sea. Now it's not just a military zone we're talking about.

Stef Halper: The South China Sea is one of the world's premiere commercial pathways. It's \$5 trillion of goods every year. It's essential that those sea lanes be kept open and available to Japan, Korea, Taiwan, Philippines, and so on. The Chinese would like to monitor and control those sea lanes. You asked what they're doing to assert their position in the South China Sea, and one of the things they're trying to do is sever our relations with our principal allies. Japan would be one prime example. In another sense they'd like us to be forced into a disadvantageous conflict in Taiwan which we're concerned about.

Bill Walton: Well, it seems like one of the... You're talking about the Chinese, the Americans, it seems like the Chinese they are operating in an integrated fashion with all parts of the government whether it's the military, or whether it's their diplomatic people, or whether it's the trade people. They're all coordinated to achieve a specific objective, and that's not necessarily the case here. As a matter of fact, it is not the case here. I think in America we tend to Balkanize everything. The State Department and the Defense Department sort of work together, but certainly nobody wanted to work with the Department of Commerce because that was about business. Instead, we're seeing a highly integrated approach. You mentioned that it came up in the Obama administration. Are we getting better at getting interagency coordination to deal with China? I mean, are we up to the task to take this on?

Jim Stark: I can't really tell. I would say that I think we have a long way to go.

Bill Walton: Yeah.

Jim Stark: You put your finger on one of the keys to China's success so far that everybody reports back to the Central Committee. They make sure that everything is orchestrated like the conductor of an orchestra, and we don't do that. We're very stove-piped. We're very independent. We coordinate from time to time, but it's not really being integrated as policy, and it needs to be public policy. It needs to be law. It needs to be diplomacy. It needs to be the politics, the military side of things, the economics. I applaud what the administration has done so far. We need to get much better at it.

Stef Halper: Part of this is because we have such powerful interest groups. When you have Wall Street groups, or commercial groups of different kinds they have power in the commerce department. The commerce department in turn articulates their objectives. We also have national security interests, so those are the stove-pipes that you're referring to. I think that what we've seen in this most recent few months, particularly with the trade discussions, is that there are two powerful factions within the White House. One is Steven Mnuchin the treasury secretary, and then, of course, the commerce secretary.

Bill Walton: Wilbur Ross.

Stef Halper: Wilbur Ross, on the one hand, and on the other hand are trade negotiators, Mr. Lighthizer and Peter Navarro.

Bill Walton: Yeah, Bob Lighthizer, and Peter Navarro.

Stef Halper: They really have different views. Mnuchin and Ross want to see an expansion of trade, and a rebalancing of the trade relationship. Lighthizer and Navarro are concerned about intellectual property. They're concerned about structural issues. They want to have a halt to cyber intrusions, and so on. These are different sets of objectives. They're really different realms of the problem, so when we talk about one central authority directing priorities and establishing direction we don't really have that. I mean, both of those groups are very strong, and they're both very active.

Bill Walton: Well, I'd consider both Wilbur Ross and Steven Mnuchin late to the game.

Stef Halper: Yeah.

Bill Walton: In the sense they show up, they've been in business, and I suffer from this a bit myself having been in business running things you don't necessarily learn all the policy nuances, and the levers that you need to have in a trade negotiation. Lighthizer by contrast has been doing this for 40 years. He was deputy trade negotiator, what, in the Reagan White House, I believe.

Stef Halper: Yes.

Bill Walton: So he has a comprehensive and systematic grasp of this. Navarro, he's a prickly guy, but I think he's looking out for America. You know him?

Stef Halper: I do, and I agree. I think the world of him. I mean, I think, as you say he's not... Some people don't find him the easiest person to get along with, but I've always found him to be very bright, very innovative, and very determined.

Bill Walton: Well, so we talk about the integrated piece of their strategies in the three warfares coming back that if I may, psychological warfare, media warfare, and

legal warfare, lawfare. How do they conduct that? What are the instruments of that initiative? Which agencies?

Stef Halper: How do the Chinese conduct that?

Bill Walton: Yeah.

Stef Halper: Well, what you see is that the Chinese Foreign Ministry works together with the MSS, Ministry of State Security, and with the Works Department. It's called the whole name, but it's called the Works Department. It's an international influence projecting group. They will, given a particular problem, they will use one of those three instruments to affect the outcome. As Jim mentioned the issue with the South China Sea, and their access to it that went to the courts. They responded to it with a legal fight, which they lost, and then they ignored the result. In the case of the Philippines, for example, they used the media. They put programs on local television and radio and in the press supporting their claim, and that's the media side. Psychological warfare, intimidation in essence is what's used to stop Philippine fishermen from accessing islands, which have always been part of the Philippines, but all of a sudden Chinese Coast Guard and commercial fishing vessels will show up and try to prevent them. So you have those three things being used in tandem on many particular issues.

Bill Walton: Are there factions in China the way we talked about factions in the White House?

Stef Halper: Not in terms of these issues, not that I know of.

Bill Walton: So there's the consensus that this is what Chinese want to bring about.

Jim Stark: I think it's true that in foreign policy they do. The issue is how they do it. There are certainly factions within the Chinese government. I'm not an expert on that.

Bill Walton: Sure.

Jim Stark: Xi Jinping does get pushback from within elements of the Chinese Communist Party, and within the security establishment, too. I think the military is seen as relatively neutral on this, but there are factions within the party itself that remain a threat to Xi Jinping and his counter corruption campaign of the last five years was not really against corruption. It was against various elements that he saw as-

Bill Walton: Political enemies.

Jim Stark: His political enemies. Only his enemies were deemed to have committed [crosstalk 00:26:27]

Bill Walton: In Russia, you were declared crazy, and they sent you to asylum if you just didn't happen to agree with Stalin. Well, that gets back into how powerful is the current regime, and are there internal issues that it faces? I mean, Chinese economic growth is slowing. They still have a problem with rural China, which it still sees hundreds of millions of people living in poverty. You've got a restive consumer class in China. We have billionaires, which have been operating with a free hand, and now they're beginning to get reined in by the politburo. Then there's also the fact they feel they need to use this facial recognition surveillance state system, and also have social credits, which they're using to try to maintain the whip hand on its people.

Stef Halper: The security side is really intimidating. I mean, they have, for example, they have 300,000 Internet policemen operating in Beijing alone. That's a lot of people monitoring the Internet. As you say these facial recognition advances they've made means that they can take photographs of people in any part of the country and tell who they are, where they've been, what their background is, and so on. The pushback that Xi Jinping experiences is becoming quite noticeable. He's had a slow down in the economy. The export sector is frustrated enough to stay angry. The growth rate which had been around 6.5% some people believe, for example, Michael Pettis, professor at the University of Peking is saying, "Look, these numbers are a fantasy." The growth rate is right around 2% and the pressure that that imposes on Chinese consumers and producers is very serious.

Bill Walton: Well, and I think you pointed out that when they gather these statistics if you're shipping them in from a province and you ship it in and you say, "Well, we didn't do so well this quarter," that's not well received.

Stef Halper: No, they better jack it up.

Bill Walton: So there's a lot of pressure to get those numbers looking good.

Jim Stark: Internal security is, I think, the Chinese government's major concern.

Bill Walton: Yeah.

Jim Stark: They're going to be having a problem with what's often referred to as the grand bargain, and that grand bargain is that the Chinese Communist Party since it doesn't have real elections is politically illegitimate, but the people of China let them get away with that if the party provides for their economic welfare, and gradually is increasing the economy, their standard of living and so on.

Bill Walton: The commonweal.

Jim Stark: But that's not happening. There are now some very obvious haves in China and a whole lot of very unhappy have-nots.

Bill Walton: And the gap is growing.

Jim Stark: Yeah, so it's both economic, but it also has to do with human rights, so it's important for the United States to keep talking about at least what the Chinese are doing to limit the human rights of their own populous because it's very popular with the people on the outs of China, the non-Communist Party members. They notice that. They look at the broadcasts. They look on the Internet. They get this information.

Bill Walton: Well, how does the social credit system work?

Stef Halper: The social credit system is a relatively new thing. People are assigned positive and negative credits based upon their comments, and upon their participation in different civic and government related organizations, so there is a vast accounting that the government exercises about the utility and value of the citizens of China. It's a remarkable concept. It goes to the idea that somehow the Chinese can know a huge amount about every individual, who they are, what they look like, where they work, what they do, but not just people who applied for government jobs. We're talking about everybody. It is the very definition of a totalitarian society. It's 1984 in process. I mean, it's not there yet, but it's going that way.

Jim Stark: This sense of a monolithic Chinese government which has this well-thought-out strategy to take over all of Asia, and then work its way out is fairly frightening. I think what we ought to remember that China has some significant vulnerabilities. They have domestic vulnerabilities. They have environmental concerns. The population, the demographics of China is a real problem for them, and it's going to get worse. They are unable to have good relations historically with their neighbors, so unlike United States, China really doesn't have any friends or allies in the area. The key for us is to nurture good relations with allies in Asia, and if we don't have that we're not going to succeed. What I worry about is that we seem to be walking away from those alliances.

Bill Walton: The United States.

Jim Stark: The United States, yeah, we're undercutting our friendships. We're being seen as-

Bill Walton: Is this under President Trump, under President Obama?

Jim Stark: Both.

Bill Walton: Under President Bush.

Jim Stark: Less so under Bush.

Bill Walton: Less Bush, okay.

Jim Stark: But I think that we were seen as weak. Anyone who would establish a red line, and then allow themselves to be pushed back from it causes all of our allies not just those in the Middle East to wonder whether we can be counted on when push comes to shove.

Bill Walton: Well, the game is up a little bit with China, though. Look at America a year ago, I think, Stef, you were on, there was a general consensus we were still working out through the idea that if we let them into the World Trade Center system, and we did business with them, we let U.S. companies in, and we helped them with some technology that we'd all win. Then now I think we're seeing the dark side of that and what the real agenda is, and you talk about the relationship with their neighbors there's something I came across that's called the Chinese debt-trap. D-E-B-T, debt-trap. What they do is they go to you Mr. Dictator of your small country that wants to be a big deal and says, well, look, we'll give you \$500 million to build a deep water port, but we know you don't have any money, so we'll lend it to you, and, oh, by the way, we'll build it using all Chinese companies so in effect we're getting paid back our own money as we go.

Jim Stark: And Chinese labor that are imported, by the way, so your guys don't get the benefit.

Bill Walton: So your people don't get the benefit, and then they discover, well, maybe you can't pay us back, so maybe we ought to take our collateral and we now own your port.

Jim Stark: Absolutely correct.

Bill Walton: Real world example, I think, Sri Lanka.

Stef Halper: Yeah, Sri Lanka.

Bill Walton: What's?

Stef Halper: Hambantota is a major port in Sri Lanka, and then we had Piraeus in Greece.

Bill Walton: Did they do that to the Greeks as well?

Jim Stark: It was a straight business deal.

Bill Walton: I think the Greeks just sold it.

Stef Halper: Just sold it to them. There's no pretense there.

Jim Stark: Same thing in Panama.

Stef Halper: Yeah, Panama.

Jim Stark: One of the ports there, too.

Bill Walton: Now what are the strategic implications, I mean, Sri Lanka doesn't that put them within 100 miles of India?

Stef Halper: Correct.

Jim Stark: And right on a key point in the sea lines of communication between the Persian Gulf and China, so the sea lines of communication become a choke point at the southern tip of India, and that's exactly where Sri Lanka is.

Stef Halper: Remember where Sri Lanka is.

Bill Walton: It's Ceylon that's just the teardrop of...

Stef Halper: All the way down on the east side of India almost to the very south, which means that ships going from the Far East to the Near East pass, or go right by it.

Bill Walton: But as I mentioned that when we started this conversation people are catching on. I think Pakistan and Nepal recently declined to take money from the Chinese to build projects.

Stef Halper: Yeah.

Bill Walton: They're understanding that the strings can be pretty brutal.

Stef Halper: Pretty onerous.

Jim Stark: Some of that is also happening in Africa where the Chinese have been active for a very long time in the area of minerals and national resources.

Bill Walton: Are you optimistic that once we go through this period of adjustment that we can find a way to make peace with China in the world, or is there a sense of international, or their destiny, their kingdom what did we call the kingdom?

Jim Stark: The Middle Kingdom.

Bill Walton: The Middle Kingdom, I mean, is that so deep in their DNA that we're not going to end up with anything except to standoff?

Jim Stark: I think we can do it temporarily, but we will only do it as long as we pushback against China, which is what we're doing now. If we accede to them trying to throw them a few scraps so that they'll then quiet down that's not going to work. It just feeds their appetite, and they just like many bullies they'll just keep pushing until somebody pushes back.

Stef Halper: I agree with that. I think that's a good way to put it. I'm not optimistic that we can avoid a confrontation with China. I think that we have to continue to pushback.

Bill Walton: Confrontation, a military confrontation.

Stef Halper: Eventually, it's going to be something like that.

Bill Walton: Yeah.

Stef Halper: I mean, we're going to have a spat of Chinese attempts to exclude us from the South China Sea, or Chinese attempts to take Taiwan by force. Those are probably the two most important issue areas, but I don't know how that's going to be avoided except as Jim says you have to start early and with constant pressure, and trying to avoid explosive, or what's called kinetic confrontation. We have to try that. If it works great, but I doubt that it will. Over time the Chinese will press forward with what they believe are legitimate claims on their side, and we will either respond or not.

Bill Walton: I share your pessimism because I think our United States domestic politics are so silly and unserious that it's hard to think of us thinking strategically to deal with these sorts of things.

Jim Stark: I don't think most of American business or government officials have a real appreciation for what's going on.

Bill Walton: Until they watch the show and listen to the show. We're going to stream it straight in there, yeah.

Jim Stark: But I'm afraid I agree with Stef that the issue is going to be how bad a military confrontation is going to be.

Bill Walton: Well, the business community, and I'm familiar with that has a particular problem. If you're a big company your CEO is probably going to be on the job four, five, or six years, and they're under a lot of pressure to produce results, so it's pretty easy to go into say a China, and say make a short-term deal to produce good numbers that may not have great strategic implications 10, 12, 20 years down the road.

Stef Halper: Make the shareholders happy, but that's it.

Jim Stark: I can tell you within the U.S. military there's a lot of planning going on. It's a very difficult problem how we would confront the Chinese militarily what our end goal is [crosstalk 00:38:46]

Bill Walton: And you were president of the Naval War College.

Jim Stark: Correct. We have a group up there who works all the time that's all they do.

Bill Walton: What kind of planning? What's the nature of thinking this through?

Jim Stark: What their military goals are, what our political goals should be, what our military goals should be. The operational strategies that should be used in order to impose our will upon them rather than the other way around. If conflict escalates should it be vertical escalation that is going more and more intense with attacks on China itself, or should it be horizontally escalated that is move away from China geographically, and attack their interests elsewhere in the world. Should we wage conflict only within the first island chain, or should we attack their forces outside the first island chain?

Bill Walton: Do we have the resources committed and the budget to implement on strategies like that?

Jim Stark: No.

Bill Walton: Because China seems to be one of those huge missed opportunities/threats, and that we focused so much on the Middle East post 9/11 and we fought these two, I think, very badly conceived wars in Iraq and Afghanistan and consumed trillions of dollars of resources, sucked things into that, and we end up with nothing.

Stef Halper: Absolutely.

Bill Walton: Virtually.

Stef Halper: It's very sad.

Jim Stark: I think one positive thing I can say is at least we're talking about it. Back in the Obama administration the Defense Department was not even allowed to put in its official documents that we could come into conflict with China. You couldn't talk about it in the national security strength.

Stef Halper: And that points to a really important larger issue which is that for three or four decades following Kissinger's visit to China in Nixon's opening we accepted the idea that somehow if we extended assistance to China and offered them guidance that they would develop interest groups, and then eventually political parties, and eventually democracy, and we'd be able to deal with them as a regular or normal country. As you said earlier, Bill, that never happened. It simply allowed them to grow stronger to protect force more readily, so we really have had a sea change in our attitudes towards China. A new realization of what we're dealing with. We've moved away from this Kissinger typology and we're now onto a much more realistic notion.

Jim Stark: I would also hope that we would take another hard look at our policy vis-a-vis Taiwan. Personally, I think it was a mistake that Kissinger made to dump our ally Taiwan over the side of the ship, and cuddle up to Mainland China. It's in America's interest that Taiwan remain an independent nation no matter what. They are the key for China to breakthrough the first island chain so that in a conflict they can push their forces out into the Pacific, and if China were to takeover Taiwan there's no way that we could hold them behind the first island chain. It's absolutely critical. It's a cornerstone to our defense, and yet nobody seems to be acting that way.

Stef Halper: I couldn't agree more. I think Taiwan is critically important. We've nurtured a small nation, 23 million people into a vibrant democracy. They are our 10th largest trading partner, and they have patterned their society, their political culture on ours. What could be more desirable than to have an ally like that in East Asia periphery?

Bill Walton: Well, Dr. Stark, or Admiral Stark.

Jim Stark: Yes.

Bill Walton: Dr. Halper.

Stef Halper: Sir.

Bill Walton: As usual, this has been a fascinating conversation. I'd like to have you back on at some point fairly soon because we've covered about 20% of what we needed to cover, but there's a lot, and it's an important issue. I think maybe the biggest issue of our time. So, anyway, thanks for coming on and we will be continuing with our China stories and look forward to having you back. Thanks. Bye.

Speaker 1: Thanks for listening. Want more? Be sure to subscribe at the Bill Walton Show.com, or on iTunes.