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HOW WE WERE RIGHT AND WRONG ABOUT CHINA?

MIBEN VOLT IGAZUNK ÉS MIBEN TÉVEDTÜNK

KÍNÁVAL KAPCSOLATBAN?

It is a pleasure to accept the invitation to contribute an essay to this *Festschrift*, celebrating Prof. Mihaly Simai's 90th birthday. For many decades, Simai has been one of Hungary's most productive and respected economists. His influence has spread much beyond our small country's borders, given the many prominent positions he held at the United Nations and at other international organizations, and that so many of his publications are in English.

Prof. Simai's research productivity is amazing. He is the author (mostly) or the co-author of nearly 300 scholarly publications, 40 of them books; the rest: articles, chapters, and special studies.²

We met and interacted regularly during the 1980s at the annual meetings of the Hungarian-American Economic Roundtable (held, alternatingly, in the US and in Hungary).

During the last 30 years we met occasionally, somewhere around the world; for the past decade, in Budapest, where we both live. Talking to him has always yielded insights about analysing and interpreting contemporary global issues.

Even though I am not aware that Mihaly's main research focus has ever been China, most of his writings have a global dimension. He has often mentioned China's experiences, in various context.

MY CHINA EXPERIENCES

My experience with China goes back to about 40 years. In 1981, and again in 1982, I was sent by the World Bank to Shanghai to give a series of presentations on Hungary's economic reforms to an influential group of Chinese economists working on Deng Xiaoping's reforms. My trips were arranged in response to China's requests to the World Bank.

I recall that the key points of my 1981 and 1982 presentations in China were the following:

- (1) Allowing much greater scope for small-scale private-sector initiatives, for example, in agriculture and trade, yields impressive results, quickly;
- (2) At the same time, however, attempts to prompt large, state-owned enterprises (SOEs) via a set of artificial rules to function as if they were operating in a real market economy (another key aspect of the New Economic Mechanism (NEM) Hungary introduced in

¹ Emeritus professor of international business, Indiana University, Bloomington, USA, and of Central European University, Budapest, Hungary. The insightful comments of Dr. Joseph Y. Battat on an earlier draft are gratefully acknowledged.

² For a partial list of his publications, see <https://worldeconomy.hu/publications-timeline/10001046/> and/or [https://hu.wikipedia.org/wiki/Simai_Mih%C3%A1ly_\(k%C3%B6zgazd%C3%A1sz\)](https://hu.wikipedia.org/wiki/Simai_Mih%C3%A1ly_(k%C3%B6zgazd%C3%A1sz))

1968) will fail because a market environment cannot be 'simulated'; competition among producers and customers must be real;

- (3) The secret of China's long-term economic success will be to allow real market forces to guide the actions of a majority of the country's producers and customers.

At this point I should note that during the late 1970s and early 1980s, when China's economic reforms got underway, the country was predominantly rural. The reforms in agriculture eventually led to 'leasing' much of the land for 99 years (for four generations!) to those who lived on it was tantamount to fully privatizing it. It brought almost immediate, strikingly successful results. The reform increased production, especially the supply of food and consumer goods. It allowed hundreds of millions of starving people to escape from abject poverty. And it rekindled the entrepreneurial talents and dedicated hard work so typical of the Chinese.

One of the most momentous of many further reforms was the massive privatization of just about all the country's labour-intensive SOEs in 1992; The world's largest-scale enterprise privatization program ever. However, those SOEs constituted a small fraction of the SOEs' assets, as the higher capital-intensive SOEs were not privatized.

In 2004, and again in 2006, I was invited to teach a semester's course on international business at China's leading MBA program, the China-Europe International Business School (CEIBS) in Shanghai. It was then, by pure chance, that I learned the circumstances that prompted China in the early 1980s to request the World Bank to send an expert to discuss economic reforms in Hungary.

CEIBS' full-time faculty at the time was a balanced mixture of Chinese professors with Western PhDs and highly-qualified Western professors from several (mostly Western European) countries. In the full-time MBA programme the language of instruction was English. CEIBS had only a single full-time faculty member who lectured in Chinese, Prof. Wu Jinglian, the former Chairman of Deng Xiaoping's Council of Economic Advisors. My Chinese colleagues urged me to attend Wu's lectures. The MBA program's foreign-students (nearly a third of CEIBS's MBA cohorts then) and I listened to several of Wu's presentations, via an interpreter:

I remember Chairman Deng striding into a meeting with his economic advisors, recalled Prof. Wu: 'Comrades, look around the globe! Everywhere where Chinese live in large numbers (Deng mentioned Taiwan, Hong Kong, Singapore, and the Chinese communities in the USA, Canada, and Australia) are economically hugely successful. Therefore, there is nothing wrong with us, Chinese, in terms of our innate abilities. We are so backward here in China because our economic system is not working well. I urge you to look around the world and find socialist countries that had undertaken successful economic reforms and distill for us the lessons we should learn.' Prof. Wu continued:

'The first country we studied carefully was Hungary, which introduced its NEM in 1968. During the 1970s, Hungary's economic performance became notably better than those of its unreformed socialist neighbours. Therefore, we started to focus on what we could learn from that country's economic reforms.'³

³ The English translation of Prof. Wu Jinglian's insightful book, *Understanding and Interpreting Chinese Economic Reforms* (Singapore: Thomson-South-Western, 2005) has a section on the economic reform program of Hungary.

CHINA’S ECONOMIC STRUCTURE AND PERFORMANCE

By the time I spent two non-consecutive semesters teaching at CEIBS – during the middle years of the new century’s first decade – China had many years of economic reform experience. One insight I learned from my Chinese colleagues at CEIBS was that to gain a reasonably accurate measure of the structure of China’s economy, one should *not* juxtapose the GDP share of ‘the state sector’ against that of ‘the private sector’, as we often do in the ‘established market economies’ (EMEs) of the West. In China, the appropriate juxtaposition was to be the ‘state-sector’ (comprised of the SOEs remaining under the control of central, provincial and local governments, plus government administration at all levels) with that of the ‘non-state sector’. The key point was that it is not the *legal ownership*, but the extent of market-distorting state interference that should be the main criterion for establishing what kind of economy China had at that time. Although much of the non-state sector was, *legally*, not private, its actors made economic decisions that, for all practical purposes, were similar to those that truly private entities would make.⁴

I remember having seen reliable calculations in Shanghai that showed that the structure of China’s economy around the middle of the first decade of the 21st century – that is, 15 years ago – was approximately the following:

Table 1: Economic indicators of the state and non-state sectors in China

	State sector	Non-state sector
Share of GDP produced	1/3rd	2/3rd
Share in employment	12%	88%
Ownership of fixed productive assets	Well over 50% ⁵	The rest

Source: own source

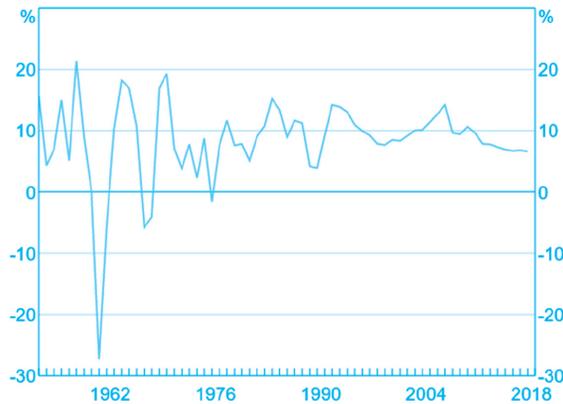
Both the above numbers and their juxtapositions with comparable statistics in the EMEs – that is, the countries in North America, Continental Europe, Japan and Australia (the group often referred to as ‘the West’), whose private-sector owners were/are typically private *legally*, too – show that China had transformed, quite some time ago already, its poorly-functioning centrally planned economic (CPE) system into a predominantly market-driven one. China’s capitalism is, of course, state-directed, but much more so than those of many EMEs that also have SOEs, though considerably fewer and more loosely controlled than those in China.

⁴ The non-state sector included tens of thousands of so-called ‘township and village enterprises’ (TVEs); the growing number of special economic zones (SEZs), where the governments’ economic controls were greatly relaxed; the fully- or partly foreign-owned enterprises (like Chinese-Western joint ventures); and the private leasing of vehicles and other assets from the SOEs.

⁵ This is because the asset structure of a large majority of the SOEs has been heavily capital-intensive.

Turning to the main indicator of China's long-term economic performance, the chart below shows its officially reported growth rates from the time it became a communist country in 1949 through 2018.

Chart 1: China's annual GDP growth



Source: CEIC Data

The basic story of China's 4-decade-long growth performance is so well known that only a few explanatory comments are made on the chart:

- Growth rates were highly volatile under Chairman Mao Zedong (1949-1976). The dramatic downturns from the late 1950s through the mid-1970s were due to the political upheavals engineered by Mao (such as the Cultural Revolution), accompanied by extremely dysfunctional economic policies.
- The growth tempo has been the most impressive during the past 40 years (since 1978). Even if one suspects, not without cause, that China's official growth rates are a smidgen upward biased, independent calculations – although they tend to come up with different annual figures – generally confirm the long-term trend shown by China's official statistics. And those of us who have been traveling to China periodically for nearly four decades could only be awed by the dramatic economic progress the country has been making steady, clearly visible to the naked eye.
- While a dozen or more factors have been identified as being responsible for China's spectacular economic growth, the most fundamental reasons, in my view, have been the widespread *marketization* of its economy; the decentralized implementation of the reforms; the intense *domestic and international market competition* that its huge number of producers and consumers have been facing; the quality of government administration; major improvements in education and healthcare; and to the Chinese people's vaunted *diligence and willingness to save*.

- One consequence of China's sustained strong economic performance, as Simai noted, has been, that the percent of its population living in abject poverty had declined dramatically, from 61% in 2000 to 4% by 2015.⁶
- Many economists have argued that China has simply been enjoying the short- and medium-term advantages of economic backwardness. As a latecomer, it could massively borrow and copy Western technology and knowhow of all kind. Sooner or later, however, so the argument went, China's growth rates will become 'normal', similar to those of the EMEs and developing countries.
- China's growth rates have indeed been slowing for some time, especially during the past decade. But even in its fourth post-reform decade, China's moderately slowed economic expansion was still about twice that of the average of the growth tempo of the EMEs. And there are credible forecasts that, barring unforeseen disasters (such as a massive and lasting virus pandemic that would hurt China mainly), the noted growth discrepancy is likely to continue into the foreseeable future, in China's favour.

WESTERN ATTITUDES TOWARDS CHINA'S REFORMS

The broad consensus of Western economists around the globe – who have been focusing on economic system reforms in the former 'socialist' countries (more accurately, in the former CPEs), like that of the Soviet Union and its successor states, the countries of Central and Eastern Europe (CEE) and of China – has long been that China, too, should be encouraged to move further and further along marketizing its economy and liberalizing its foreign economic relations because

- (1) those steps will make China economically successful and continue to improve the standard of living of a great majority of the Chinese people;
- (2) the marketization of a CPE will inevitably lead to a liberalization (democratisation?) of the country's domestic political system and to its more responsible behaviour in the international arena.
- (3) accomplishing the above would be an impressive sign of the 'victory' (to put it crudely) of capitalism and democracy over a CPE and the Communist political system.

With respect to the all-import second argument – or, to put it more realistically, the assumption – it seemed to be aligned with, and support, Francis Fukuyama's widely-talked about theory that he came up within the early 1990s. He argued that the West, having won the Cold War (1945-1991), the inevitable future, as far ahead as the eye can see, is that more and more governments will operate within the framework of parliamentary democracy and market economy. In his 1992 book, *The End of History and the Last Man*, and in several of his famous articles published around that time, Fukuyama explained that by the 'end of history' he meant that liberal democracy and a market economy will eventually be the final systemic structure of all nations. There can be no progression from there to an alternative system that would be better.

⁶ Simai M. (2016): *A Harmadik Évezred Nyitánya: A zöld fejlődés esélyei és globális kockázatok [Overture to the Third Millennium: Prospects for Green Development and Global Risks]* Corvina Kiadó, Budapest, p. 344.

Those who criticize Fukuyama, his supporters argued, make the mistake of equating history with events. Fukuyama does not claim that events will stop occurring, only that, *in the long-term*, democracy and market dominance will become more and more prevalent, although there may be ‘temporary’ setbacks, so that totalitarianism may return and last for decades or longer. This is not the place to evaluate Fukuyama’s theory. One must note, however, that it cannot ever be tested or used to make short- or medium-term forecasts because any development that goes contrary to Fukuyama’s trend prediction can always be called ‘temporary.’ And in the long run, as John Maynard Keynes sarcastically observed, we are all dead.

The only point of referencing Fukuyama here is that the systemic changes that were taking place in Russia, CEE, and China during the 1990s appear to have validated Fukuyama’s trend prediction and reinforced the arguments of those advocating that the West should actively support the reforms efforts of China’s (and other ‘transition-economies’). Economic reforms and its growing integration into the world economy would force China to liberalize politically at home and to become a more responsible stakeholder in the international system. This idea, sometimes called ‘convergence theory’, was that as China grew wealthier, its economic and political systems would converge more and more toward those of the EMEs.

The ‘we’ in the title of this essay refers to that group of (mostly Western academic) economists and political scientists who have been focusing on economic and political system changes in the former CPEs, called ‘transition economies.’ Their above-summarized views had some influence on Western business people and politicians. To the former, they reinforced the view that deepening economic ties with China (and other transition countries) serve not only a particular business’ profit interests but also yields social benefits for the West. For Western politicians, it diverted their focus away from the civil liberties and human-rights records of authoritarian China (and of Russia and others). Fukuyama’s theory was comforting: those problems will automatically disappear, in the long run.

WHERE WE WERE RIGHT ABOUT CHINA?

Until a few years ago – let’s say, arbitrarily, through the first decade of this century, those of us in the ‘we’ camp could claim, and even boast, that we were ‘right on the money’, that everything was happening in China, in all the three spheres mentioned in the preceding section, just as predicted.

We can continue to claim today that we were – and remain – unqualifiedly correct about the first argument about why and for whom the continued marketization of China’s economy was and will continue to be the most beneficial.

At the same time, something new and discomfiting seems to have been seeping into our subconscious mind regarding China’s continued economic performance. Trying to define succinctly what that ‘new’ is: a nagging doubt about China’s ‘convergence’ with the EMEs, even regarding its economic system and performance.

Let me explain. For a long time, say, for the first two or perhaps even three decades after China had embarked on its economic reform path (in 1978), its spectacular growth has been somewhat discounted in the West. Many have been arguing that China simply has been enjoying the short- and medium-term advantages of economic backwardness: as a latecomer, it could massively borrow and copy Western technology and know-how. China’s growth rates have indeed been slowing for some time. But it has been surprising, and disquieting to some, that the

prediction that China's growth rates would 'converge' to those of the EMEs did not happen, and it seems less and less likely that it will happen during our lifetime.

So, the quiet alarm goes, the issue may no longer be whether China's economic system and performance would converge to ours, but whether we in the West would be able to match China's economic performance, and what would be the long-term consequences of not being able to do so?

WHERE WERE WE LIKELY WRONG ABOUT CHINA?

One area where 'we' (Western academic experts) on economic system change in China had been wrong was our assertion during the 1980s that a reform that would be based on that SOEs should, simultaneously, fulfill centrally planned economic targets *and* be allowed to dispose of the rest of their output on the 'free' market, would be unworkable. The analogy often used was: 'Imagine if vehicular traffic in a city would require some vehicles to drive in one direction on the right side of the road, while other cars and trucks would be allowed to drive (in the same direction) on the left side. Utter chaos would ensue.' Not so. The Chinese did exactly what we thought would not work. There was a period during the 1980s when SOEs were obligated to fulfill centrally planned output and distribution targets, after which they could (and did) behave as profit-maximizing capitalist enterprises. Gradually, most centrally-set targets were reduced and then eliminated.

Even though China's economic system has been, for quite some time, similar in fundamental aspects to those of the EMEs – in that producers and consumers have been making a vast majority of their economic resource allocation decisions in response to market forces established (with very few exceptions) by a massive number of freely-competing producers and consumers, China's authorities do not like to admit this. China's top officials claim that China's economic system is different from those of the capitalist countries. Their favored term: 'We have a socialist system with Chinese characteristics.'

My less hazy label for China's economic and political system is this: **A market-driven economy, with the monopoly Party's total final authority over politics; over all state institutions, including the courts; over the SOEs and even over private firms, if interference with them is deemed to be in the Party's interest. The single most important objective of the monopoly "Communist" Party is to perpetuate its power and to govern the country. For that, maintaining firm control is absolutely essential.**

We, in the West used to think that with the amazing volume of information that the market system provides to its participants, especially in this age of the internet, and with the growing mobility of the Chinese people (inside their country and for a significant number even abroad), pervasive central controls would simply not work. In my university courses about China that I taught until a decade ago, I used to assert that Marxist, Communist, and any other kind of ideology is dead in China, that ideology has been replaced by the pursuit of improved living standards and wealth at the level of individuals, companies, and the nation-state. I also used to believe in the basic tenets of the convergence theory.

I would make none of the above statements so categorically today, for the following reasons:

- Yes, there has indeed been growing mobility and personal freedom in China, but only for those who stay within the boundaries defined by the Party. China's population has been taught, continually since birth, to be disciplined and to adhere to the rules and the expected behaviours in their families, in their schools, and at their workplaces. Acting differently than other members of the 'team' brings ostracism, which is the most effective 'policing

instrument' in a society whose members have been acculturated from ages immemorial (by Confucianism) to accept hierarchy and the importance of subordinating some of the individual's interests to that or those of the team. A dramatic illustration of how this works in China's state-controlled capitalist society today is a brilliant 2019 documentary of what happened when in 2014, Chinese auto glass manufacturer Fuyao invested \$500 million to buy and to re-equip a former General Motors auto-glass plant in Dayton, Ohio, that had been closed since 2008. The documentary, sponsored and introduced by former President Barack Obama and his wife, Michelle, films events both at the Ohio plant and at Fuyao's headquarters in China.⁷ Among the documentary's many insights are that strong nationalism and pride in China 'winning' a growing number of its economic encounters, even vis-à-vis the US, form the core of a mutually reinforcing *new ideology* that energises and helps keep the Chinese people within the boundaries set by the Party.⁸

- China's state-controlled media makes abundantly clear, with widely publicized examples, what happens to those who do not stay within the boundaries defined by the Party.
- China has become the world leader in high-technology systems of control, from algorithms that censor social media, to facial-recognition systems of its citizens at their work environments and in public places. Google cannot be accessed in China.
- One further reason to doubt the validity of the assumption of systemic convergence is the many-sided and growing criticisms of the political as well as of the economic systems of the EMEs. Of the *political systems*, that democratic elections have become less and less about informed citizens making choices on key issues, and more and more about which candidate can spend more on advertising and on brainwashing the electorate (with fake news, for example). Also, politicians actually stand in the way of solving mankind's pressing problems, such as the environment, because all they care about is winning the next election. The main problems with 'our' *market-economy system*: it is still prone to major recessions that badly hurt people (such as the Great Recession of 2008-12) and that income- and wealth-distributions are getting more and more unequal. The main relevant impact of these criticisms on the theory of 'convergence' is that we have become less certain that the EMEs' political and economic systems are as attractive to others to converge toward as we thought, say, two decades ago.

Contrary to our assumptions that the marketisation and the global economic integration of China will lead to a liberalisation (democratisation?) of the country's domestic political system and to more responsible behaviour in the international arena, recent trends suggest the opposite. We see in China today a president who changed the law to enable him to retain power for life; who ordered that communist party committees be formed in all major institutions and

⁷ *An American Factory*, a documentary film available on Netflix.

⁸ Simai's observation is relevant here: 'Human beings ... are members of societies within which values, ideologies, customs, and history condition their ways of thinking... Culture, together with other key factors (geographic and historical conditions, for example) is one of the most enduring variables in conditioning changes and in influencing the forms and content of governance.' [Simai M. (2001): *The Age of Global Transformations: The Human Dimension*. Akadémiai Kiadó, Budapest, p. 21.]

enterprises which can overrule management in certain areas; and who has been expanding show trials, torture and executions to stifle real or imagined dissent at home.

In the speeches and official documents reporting on China President ‘Xi Jinping thought’, he is quoted as talking about the bitter struggle between ‘socialism with Chinese characteristics’ and ‘anti-China western forces’ promulgating ‘extremely malicious’ ideas of freedom, democracy, and human rights.⁹

In the international arena, too, China has become more assertive. For example, it has been intimidating many of its neighbours in Southeast Asia with verbal threats, wooing them with economic carrots and sticks; and threatening them with aggressive military ventures, such as creating military bases on artificial island in the South China Sea, close to the countries with which it has disputes over-controlling land or sea areas. Another aspect of China’s growing assertiveness is its ‘wolf-style diplomacy’: vituperative verbal attacks on any Western government, diplomat, or media that dares to publicly criticize China’s actions at home (for example, vis-à-vis the Uighurs in Xinjiang or the natives in Tibet) or abroad.

In sum, we ourselves, as well as our Chinese (and other) adversaries have become less firmly convinced – clearly doubtful, may be more accurate – that the EME’s values and institutions, especially our democratic political systems, are really attractive to converge to, and are openly saying so. The mirror side is that we are becoming less convinced of the desirability and feasibility of pressuring China (and other adversaries) to accept our values, such as human rights and non-discrimination, as well as our political institutions.¹⁰

INTERPRETATIONS

The just-mentioned trends in China have made even some of ‘us’ (academic specialists in economic and political system transformations) worried, in some cases even feeling guilty for the surely minor roles we might have played in the past by offering systemic advice to China. A stellar example is Janos Kornai, one of Hungary’s internationally best-known economists, who wrote an article in *The Financial Times*, arguing that we, economists, share the blame for China’s ‘monstrous’ turn:¹¹

“The leaders of modern China won’t be satisfied with turning their country into one of the leading powers of the multipolar world. Their aim is to become the hegemonic leader of the globe.

The idea is not, of course, to station Chinese soldiers everywhere. The means of domination would be different in each country. Some would literally be under military occupation. Elsewhere it would be enough to form governments compliant to Chinese wishes.’

⁹ Jamil Anderlini: ‘China is taking its ideological fight abroad’ *Financial Times*, January 10, 2020.

¹⁰ Some might even start advocating a ‘reverse convergence’, that is, us converging toward China’s apparently well-performing economic and stable political system. This is certainly not something that I would advocate. Nor probably would anyone who learns the details of China’s culturally embedded political system; it simply could not be transferred in a workable way to a Western (especially Anglo-Saxon) society.

¹¹ July 10, 2019

Kornai then enumerates the recent ‘chilling challenges’ that have taken place in China; a bill of particulars similar to those cited in this essay above. He then argues that:

‘Western intellectuals are partly responsible for this nightmare (because) we not only watched China’s transformation with approval but actively contributed to them. We are the modern version of ... *Frankenstein*, the 19th-century tale of experimenting scientists who brought a dead body to life, using that era’s technology: the electric shock. The resurrected creature became a murderous monster.

Many of us bear moral responsibility for not protesting against the resurrection of the Chinese monster, or even worse because we have taken on an active role as advisors; myself included.’

In my view, Kornai overdoes it, as far as Western advisors to China are concerned. He would be more credible in his blaming if he could and would establish that those advising China knew, *at the time*, that the assumptions of systemic convergence were wrong. But we did not, hence our motives were ‘pure’; I certainly do not share Kornai’s *mea culpa*.

More significantly, we Western intellectuals, have been giving ourselves too much credit. China’s path of reform and growth would have changed little without our ‘advice’. In retrospect, China had never thought of us as ‘advisers’. We were merely a source of information (facts and experiences) from among a large number of sources the Chinese always go to. Taking into account their situation and goals, they formulate Chinese-type solutions that suit their needs.

What was done, was done, Kornai argues; a mistake by hindsight. He then urges governments and business people should think twice before helping China economically, especially with the technology that can be used for physical or digital warfare.

Thus, in this area, Kornai seems to endorse the Trump Administration’s decision to confront China with higher tariffs and to tighten restrictions on technology exports and imports.

Many experts note that the broader context in which the US-China confrontation is taking place is similar to what had already happened several times in the course of history, what is known as ‘Thucydides’ trap. The ancient Greek historian had observed that the Peloponnesian war (431BC – 404BC) was caused by the growth of Athenian power and the fear that this caused in Sparta. Professor Graham Allison examined 16 historical cases of rivalry between established and newly emerging rival powers, finding that in 12 out of the 16, the rivalry ended in confrontation. On that basis, he concludes that China and the US may well be on a collision course for war, a warning he explained in several articles in the *Financial Times* and elaborated in his recent book.¹²

TENTATIVE CONCLUSIONS

I am aware that the above remarks may be considered by certain readers as an overreaction to the above-described medium-term trends in China and in the West. It is not inconceivable that, during the next decade or two, events will occur in China, as well as in the West, that would create a comparative system environment and expectations that would resemble more

¹² Allison, G. (2019): *Destined for War: Can America and China Escape Thucydides’ Trap?* Carlton-North, Australia

what we had two decades ago than what we have today. In brief, I am not arguing that our earlier presumption of systemic convergence and all that was definitely wrong. I am only saying that we have good reasons to be much less certain today about systemic convergence than what we (and Fukuyama) believed, predicted, and supported in the not-too-distant past.

I agree with Kornai that the West should be firm in denying China (and our other adversaries) any technology that may be useful for military or digital warfare or for controlling/regimenting individuals. Also, that individuals, NGOs, businesses and governments in the West should strongly raise their voices against actions by China (etc.) at home that blatantly deny basic human rights to segments of their populations, or actions abroad that clearly go beyond the country's legitimate security needs.

At the same time, I am also of the view that the focus of the West should *not* be to impede China's economic development in any way we could; that would not likely to work; instead, it would probably strengthen China's resolve to continue of the same path. Instead, our efforts should be concentrated on correcting the many dysfunctional aspects of our economic and political systems.

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