

Shaun Rein: China's Economic Statecraft in a New World Order

Shaun Rein is the Founder and Managing Director of the China Market Research Group (CMR), and the author of books such as "The Split: Finding the Opportunities in China's Economy in the New World Order": <https://www.amazon.com/Split-Finding-Opportunities-Chinas-Economy/dp/139981639X> Follow Prof. Glenn Diesen: Substack: <https://glenndiesen.substack.com/> X/Twitter: https://x.com/Glenn_Diesen Patreon: <https://www.patreon.com/glenndiesen> Support the research by Prof. Glenn Diesen: PayPal: <https://www.paypal.com/paypalme/glenndiesen> Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: <https://gofund.me/09ea012f> Books by Prof. Glenn Diesen: <https://www.amazon.com/stores/author/B09FPQ4MDL>

#Glenn

Welcome back. We are joined today by Shaun Rein, an author and also the founder and managing director of the China Market Research Group. Thank you for coming on the program.

#Shaun Rein

It's a real pleasure to be here, Glenn. I've liked a lot of your previous guests, like Jeffrey Sachs and John Mearsheimer, so I'm honored to be here. Thank you for giving me the opportunity to offer a different perspective than many of my fellow Americans, since I've been living in China for most of the last 28 or 29 years. I might have a slightly different view than what you usually hear in the traditional media.

#Glenn

I appreciate that. And again, the China experts of 10 years ago—China in 2016—were looking at a very different country. It's not the same China anymore. You can see technologies changing fast, China changing fast, and indeed the world changing fast as well. That's why I thought a good opening question would be: what do you see as the main opportunities and challenges at this stage of China's economic development? Because, again, the economy is very different from what it was 10 years ago.

#Shaun Rein

Yeah, that's a great point. I think China in 2016 and China in 2026 are completely different. And I'll answer your question about some of the challenges—like real estate, consumer anxiety, and the demographic time bomb. There are definitely some issues facing the economy. But I think when you

watch a lot of other shows, like ChinaFile from the Asia Society, they bring in a lot of China experts. They bring in people from Europe or the United States who lived in China for 10 or 15 years, maybe even longer. But here's the thing, Glenn: a lot of these people left China in 2015 or 2016, and they've barely been back. You see someone like Jeremy Goldkorn, who did the Sinica podcast.

I'm not sure he's been back in the last 10 years. Bill Bishop has only been back once or twice in the last few years. So I think one of the things that's happening, Glenn, is that political leaders and businesspeople in the Western world are getting influenced by people with outdated information. When you look at the economy now—just a year ago, in January 2025—I was meeting with some of the world's wealthiest men: hedge fund billionaires, CEOs of Fortune 500 companies. I remember one who had been quite bullish on China in 2016. He told me last year that China is uninvestable and he would never invest there again, because the information he's been getting, to me, is outdated.

And if you look at it, Glenn, last year the Chinese equity markets were the second-best performing in the world after the Korean ones—up almost 30%. So the key is getting real information. Now, what are my concerns about the economy? First and foremost, I'm quite concerned about real estate. Housing prices have dropped 30 to 40 percent in tier-one cities, and sometimes even more in tier-three, -four, and -five cities. The problem isn't a financial crisis—we're not going to have a 2008 or 2009 situation.

A crisis like we had in the United States, where banks like Lehman or Bear Stearns were collapsing and there was a systemic financial threat. What's happening instead is stagnation, because unlike in the U.S. back then, most people in China have put 50 to 100 percent down on their homes. Their mortgages aren't underwater, so you're not seeing panic selling. You're not seeing people slashing prices by 70 percent just to make a sale. What's happening, Glenn, is that volume is anemic—you might see a house go on the market and it takes a year, even a year and a half, to sell.

Now, this is a problem because previously 30 to 35% of the economy was tied to real estate in the 2010s. So the first problem we're having is that, because so much of Chinese wealth is tied up in housing, people don't feel as rich—which is why they're not going out and spending. But the bigger issue is this overall anxiety that's hitting the country. Some of the movers and shakers aren't investing; they're not starting companies like they did in the 2000s and 2010s. That, to me, Glenn, is the biggest issue. We have to build confidence back up in the Chinese consumer.

Because again, Chinese households are sitting on 20 trillion U.S. dollars in savings. People here aren't poor. They're not panicked. There isn't a systemic financial threat, but they're holding onto their purse strings and not spending money. That's the issue China needs to address, because it has a spiral-down effect on younger Chinese—people not willing to get married, not willing to have kids—which will create a demographic problem 20 or 30 years from now. So there are real challenges, but it's not as bad as those who left in 2015 or 2016 say. And that's why, if you'd listened to me in January of last year, you would've made a ton of money in the Chinese equity markets.

#Glenn

Well, what are the main opportunities then, as you point out? People could have made a lot of money because China has really pushed hard into its industrial policies—developing AI, semiconductors, EVs, and green tech. Where do you think the main push for global leadership is going at the moment? Because when you say “China,” some of it is, of course, subsidized and supported by the government in various ways, but a lot is also organic, responding to market direction. So what are you looking at right now?

#Shaun Rein

Well, that's a great question. I think, when you look at it, let me answer from a geopolitical standpoint. China, in my mind, is actually more of a natural partner for the United States than even Russia. I think, in the Western world, people tend to see China and Russia as best friends joined at the hip, but I actually think there's a lot of mistrust there. These two countries have come together more out of survival, because they feel the United States and NATO are trying to destabilize and contain China. And you've seen that, right? You've seen it with Joe Biden imposing economic sanctions and export controls on high-tech industries. You saw it earlier with Trump threatening Venezuela—and now, of course, he's not the acting president of Venezuela.

There's a question about whether he'll allow the Venezuelans to keep selling oil to the Chinese. About 4% of China's overall oil comes from Venezuela, so that would be a real hit for them. So the question, Glenn, is: what should China do? Starting during Trump's first administration, they decided to focus on indigenous innovation and self-reliance. It's not just semiconductors or AI—it's everything. China buys a lot of beef from Brazil and Argentina, but now they're focused on building up their own cattle herds in Shandong province. They've also been buying a lot of soybeans from Brazil, and now they're looking for alternative sources.

Instead of buying blueberries and seafood from Australia, you now see that China's building huge blueberry and strawberry plantations, or fields, in Yunnan province. So, to answer your question, the first thing is—really, unfortunately for Western companies—the reality is that Chinese companies are starting to focus on self-reliance because there's a fear that the Western world will sanction China the way they sanctioned Russia, and then they'll never be able to get access to products. So again, beef, blueberries—but even more importantly, Glenn—is technology. You know, what we've seen in the future world is that whoever controls AI, whoever controls semiconductors and sets the tech stack and technology standards, is going to be enormously powerful.

And if Trump or Biden, whoever the next president is, continues to put export controls on NVIDIA chips, that's going to destroy the Chinese economy. So the best place to invest right now is in Chinese technology. You see companies like Minimax and Cambricon—these are the Chinese versions of NVIDIA. And here's the thing: look at somebody like Eric Schmidt or Sam Altman. Sam

Altman, the founder of OpenAI, said a year and a half ago that China was ten years behind the U.S. when it comes to AI. Eric Schmidt, the former CEO of Google, said China was two or three years behind. Pretty much right after that, Glenn, DeepSeek came out, and you've seen Alibaba, Baidu—tons of Chinese companies—emerging with technology that took these guys by surprise, because they're getting information from China watchers who haven't been to China in ten years.

And so, you know, I love America. I'm American. I don't want to see America hurt. I don't want to see China hurt. But for America to do well, it can't underestimate China's innovation capabilities. Now, that's great for investors—if you're allowed to invest. What's happened in the United States is that they've banned a lot of private equity and some mutual fund investors from buying into these Chinese tech stocks. So you're going to lose out if you're an American investor. That's a great opportunity for Norges Bank—for you guys up in Norway who might not have the same political constraints—and you could invest in Chinese indigenous innovations.

#Glenn

Yeah, there was this catchphrase from the 2010s: the United States innovates, China replicates, and Europeans regulate. Well, the Europeans still regulate, but the idea of China as the copycat, the reverse engineer trying to catch up—that whole thing feels very 2010 to 2012. I don't know, it seems like that time is behind us. When you go to China now, a lot of the tech companies are innovators. I think some of this rhetoric is just feel-good talk—like, "Well, they can only try to catch up with us; that's all they can hope for." I think that assumption is very damaging.

#Shaun Rein

I wrote a book, Glenn, in 2014 called **The End of Copycat China**, and I predicted that China would become an innovation powerhouse. Silicon Valley laughed at me—I mean, I got pilloried in the press by the Silicon Valley types. Here's the thing: China has the capital, it has government support, it has the ecosystem, and, importantly, it has the engineers. So it's going to catch up, if not surpass the United States, in a lot of different technologies. Now, what happens in America is, to their credit, Americans have more venture capital. It's not easy, but if you have a great idea, you can raise seed capital. It's not so easy in China—you don't have that innovative VC atmosphere like in Silicon Valley or Austin, Texas. What China is very good at is not inventing, but taking something the Americans did early, then throwing tons of money and engineering at it, and improving on it.

It used to be business model innovation. Now it's actually technology innovation, but they're catching up very quickly. And if you look at it, **Nature** magazine just published a list of the top tech and AI universities in the world, and almost all of them are from mainland China right now. You know, I think a degree from Zhejiang University or Tsinghua is going to be more valuable than a degree from Harvard or MIT in ten years, because China is really changing the curriculum in schools,

while the United States is still dealing with tenure. Like, I went to Harvard, and some of my professors are still there 25 or 30 years later, just peddling the same misinformation on China and technology today.

#Glenn

I think a good example of this was in 2011. You had Elon Musk—he made a dismissive remark and laughed about the idea of China building electric cars. That was in reference to BYD. And now, recently, BYD is actually bigger than Tesla. It's really shocking to see. Hardly anyone had heard of Chinese-made cars back then; it was basically a non-thing. And then suddenly, out of nowhere, they've become the main producers and really taken such a leadership role. It's quite extraordinary how quickly this has happened. After decades of Western, Japanese, and Korean cars dominating the market, suddenly all of them are being pushed aside. It's quite extraordinary—absolutely.

#Shaun Rein

Absolutely. Yeah, absolutely. I just flew in from Thailand last night. And if you go to Singapore, BYD has replaced Toyota and BMW as the biggest seller of cars there. When I was in Thailand, I booked a premium car on Grab, which is the Thai or Southeast Asian version of Uber. I expected to get a Toyota. Instead, I got a BYD. So even the Thais are viewing BYD as a premium company right now. And I think, you know, again, there's been a lot of criticism that this is all about subsidies, that the Chinese government is using unfair advantages. But here's the thing: when you look at Tesla—Tesla and SpaceX—and Elon Musk, he's a great revolutionary innovator.

But if it wasn't for subsidies from the U.S. government, there would be no Tesla. So I think one of the problems is that America, especially, criticizes China for things—whether it's subsidies, military deterrence, whatever it is—but it's actually very similar to what the Americans do. It might even be that the Americans do it a million times worse when it comes to subsidies and economic coercion. And I think you have to look at the German and American automakers for not listening to their teams on the ground, for not understanding how fast any of these changes were taking place. It's not like they didn't have warning.

I'll give two examples, Glenn. Right before COVID hit, I met with the global CEO of one of Detroit's biggest automakers. I sat him down and said, "Look, you need to be working with companies like Huawei, Alibaba, and Tencent, and try to create a technology ecosystem with your cars, because the Chinese are going to view cars no longer as engineering marvels, but as mobile phones on wheels." And this global CEO had never heard of Alibaba and had never heard of Tencent. So imagine a Chinese company saying they've never heard of Google or Facebook. This guy was woefully ignorant. The second example is, I said the Chinese are going to be adopting NEVs and new technology. And this guy was paying me like 10,000 US an hour to talk, and our entire conversation went from NEVs to whether the Chinese would want touchscreens in their cars.

And should it be 9 inches, 11 inches, or 13 inches? So I was trying to warn this Detroit CEO, you know, six, seven, eight years ago, and they were ignorant of it. And then Volkswagen was probably even more ignorant in a way, because during COVID a lot of their executives—the German ones—were based here. And COVID was harsh; it was not easy to exist in China during that time. They had about four or five dozen executives. The executives who came here couldn't handle it and wanted to move back to Europe. Now, they were hired by the joint venture partners in China, which meant that if they quit and moved back to Europe, they'd lose, I think, about a 50,000-euro bonus. But most importantly, they wouldn't have a job—the joint venture couldn't transfer them back to Volkswagen. So a lot of these guys were like, "I'm going to quit, but I'm going to look for another job first."

And so they spent a year, year and a half, not focused on Volkswagen in China, but focused on getting their families into the right schools and finding the right jobs back in Europe. And that's why Volkswagen and Porsche have absolutely collapsed in China, right? Porsche sales are down 40% from their highs. So it's not that China's doing unfair subsidies—it's that I think a lot of the Western brands are ignorant about what's happening on the ground, and they refuse to admit, like Elon Musk did 10 years ago, the fast speed of Chinese companies moving up the value chain in terms of quality.

#Glenn

Well, people could be excused for not knowing better because, as you said, it's happening so fast. People who confidently knew China only a few years ago find it hard to admit they don't know it anymore, and that's a big problem. I think you're right as well. People often present Silicon Valley as this place where you just let people innovate, leave them alone, and they'll come up with the greatest things—which is true; there are a lot of brilliant people there. But it's also true that Silicon Valley has been massively subsidized, some of it indirectly through government and military contracts. It didn't just appear out of nowhere. So yes, that's a good point.

#Shaun Rein

But let me ask about this—Palantir was backed by the CIA's venture capital arm. Palantir and Alex Karp became billionaires, but almost their entire business comes from selling to governments. I was in Dubai recently, and the guy sitting next to me at the Park Hyatt, where he was staying, worked for Palantir and was doing work for the local government. So, you know, there are a lot of subsidies for military contractors. Palantir, Anduril, probably Skydio—you see these companies, they all exist because of military contracts.

And that's why you see a revolving door between D.C. and these companies. You look at someone like Mike Gallagher, who was a congressman and one of the leading China hawks on the U.S.-China Congressional Committee—he quit in the middle of his term to join Palantir. So I think there's, I don't want to call it corruption, but there's a revolving door between Silicon Valley and D.C., where they're profiting from fear-mongering about China and from these endless wars we have in America.

#Glenn

But often when you hear about the Chinese economy now, it's in the context of the trade war with the United States. Only a few years ago, people were told that the U.S. would break the Chinese economy by rolling back its technological development. A lot of that narrative was backed by the former CEO of Google, I think. The assumption was that China's tech giants couldn't survive without American technology. That was especially the case during Trump's first administration. But now we see these AI bubbles forming in the United States, while China is moving more toward self-sufficiency. How did this happen, and how do you explain this development?

#Shaun Rein

Well, I think, again, China's back was against the wall. If they didn't push for indigenous innovation, if they didn't focus on improving the education sector, then China would be contained and destabilized. And that's why, over the last six or seven years, the wealthy 10 percent in China have had weak economic performance and weak sentiment. Now, part of that is self-inflicted by the Chinese government—they cracked down on Alibaba and Tencent. And I think that was a great thing. I actually have a whole chapter about this in my book **The Split**, where I argue that the crackdown on technology was good because it created opportunities for little dragons to emerge, like Douyin, Pinduoduo, or Kuaishou.

I think the duopoly of Tencent and Alibaba was strangling innovation in the country for 10 or 15 years. So the government was right to crack down on it, but they cut too far to the bone, and they didn't, frankly, explain themselves well—not only to the international investing community, but also to the local domestic business community. So I think the Chinese have lost a lot of their animal spirits because of that. And then they were scared. They were scared that the United States under Biden was going to contain China the way America has contained Cuba, Iran, and North Korea for generations. And so the Chinese, you know, again, they have 20 trillion U.S. dollars in household savings, but they just weren't spending that money. They were keeping it for a rainy day in case the geopolitical situation continued to deteriorate.

There is a real fear under Biden that no matter what China did, it was an ideological war—you know, liberal democracies versus communist authoritarian nations, the good guys versus the bad guys, cowboys versus Indians. And so these wealthy 10 percent of Chinese were quite concerned and didn't spend money. But what we've seen, Glenn, and this is why last January I turned more optimistic, is that you've seen green shoots and animal spirits. You've seen **Deep Sea** come out, you've seen **Cobra Kong** come out, and you've seen **The Wandering Earth 2**, which is the best-selling movie of all time in China at around \$2 billion. You're seeing that China, in the last six to twelve months, has finally been able to overcome some of those sanctions and export controls. It's not going to be easy—you're right.

I'm not a China bull economically right now. You're not going to see 8% or 10% growth. It's not going to boom like it did in the 2010s. But the economy is stable, it's strong, and there are pockets where one could invest and make money. Most importantly, it's far better than what a lot of people in the Western world think. And that's why China is winning the trade war against the United States. Right? Like Janet Yellen, the Treasury Secretary, said that America has all the cards. But here's the thing, Glenn—anything that America can make and sell to the Chinese...

The Chinese can make those things on their own, like semiconductors, or they can buy them elsewhere. So instead of buying American oil, they're buying oil from Canada. Instead of buying soybeans from America, they're buying from Brazil and Argentina. Instead of buying American beef, they're buying from Australia. The second part is the overall amount of exports. China's not really an export-led economy anymore; it's more of a domestic economy. Exports from China to the U.S. only account for about 2 to 2.5 percent of overall GDP. So this shock-and-awe strategy of Scottie Bessette and Trump in the trade war was misguided. It failed.

Now, I know Scottie—not well—but I used to advise him when he was at Soros Capital. The last time I spoke to him was around 2012 or 2013. Even at that point, he underestimated China. He said China is a communist nation and by default will collapse because it's communist. So when you have ideologues like this leading the trade war, leading our economic foreign policy, and they don't have clear, strong, pragmatic, non-ideological analysis of China, they steer us in the wrong direction. That's why China is thriving right now, and the United States has failed in the trade war so far.

#Glenn

Yeah, no, I've heard him make this argument. I think this is quite a reference to the argument that's been made in the past. But in this trade war, it seems that Trump was banking on the tariffs being quite successful. And indeed, by putting tariffs on China, yes, American consumers are paying for this. But again, the main point would be for American companies to get a competitive advantage vis-à-vis the Chinese companies, since the consumer has to pay the tariff to buy Chinese. So how do you see the success of the American tariffs—or the lack of success?

#Shaun Rein

I think the tariffs are a total failure, right? Now, they haven't hit inflation as much as people thought they would, or as much as I predicted they would. The reason is that Trump has made a lot of exceptions, Glenn. So you're not seeing the full 48–50 percent tariff against China or India; in some sectors it's smaller. Let me give you an example. I was meeting with the CEO of a major apparel company recently. He used to do all his sourcing from China, but because of the trade war, he started taking a "China-plus-one" strategy. He looked at sourcing from Taiwan—right, democracy—so obviously, products made in Taiwan should be welcomed in America.

India, right? Modi is best friends with Trump—and Vietnam. So he moved everything to those three countries. But he told me a couple of weeks ago, "You know what, Shaun? I moved everything back to China because it's actually cheaper to import his apparel from China into the U.S., because of those exceptions, than from Taiwan, India, or Vietnam." So the tariff war—I think this is sort of Trump's strategy in everything. He does the shock and awe. He screams, he bellows, he waits to see what sticks. Will people push back? If he screams a little more and exerts leverage, will he be able to get what he wants or not? So, like in Venezuela's case—they're weak, right?

They had no power, so they had to bow down. In Denmark's case, we'll see what happens. I think I'd be very scared if I were a Danish politician right now, because I think Trump is going to try to steal Denmark. But when it came to China, China had all the cards, right? Aside from having de-risked from the United States and exports over the last few years, China and India combined control about 95 percent of antibiotic manufacturing. They control about 90 percent of rare earth refining and about 98 percent of high-end rare earth magnet refining. You know, China dominates rare earths, which propel the world's seven-trillion-dollar consumer economy.

So in October of this year, China said to Trump and Scotty Besant, who were trying to raise tariffs again, "Then we're going to put export controls on rare earths, and we're not going to give anything to you." And it's not just rare earths, actually. You know, I've been one of the biggest bulls on silver for the last couple of months. If you look at it, China has put controls on silver exports to the United States. So China's strategy over the last five to ten years has been not just to control mining and access to commodities, but to build refining capabilities. And now China has refining that America and Europe don't have—from rare earths to silver to chromium.

And that is the strategy that gives China leverage over the United States. America has really been ignorant when it comes to China. I mean, like, I'm an American—I love America. My dream job is to be Secretary of State. I love China too. But I get it. I've been banned from being quoted by Bloomberg and The Wall Street Journal. I don't have a lot of credibility in Washington, D.C., because I think I'm a realist on China. They might call me an apologist, but I'm actually just stating what the reality is in China and giving information to whoever wants to listen. Unfortunately for America, D.C. and the American media don't want to listen to what I have to say.

#Glenn

Yeah. No, this whole thing—well, what you mentioned—first there was the idea of reshoring, bringing things back to the U.S. When that didn't work, they went with friend-shoring. And I've heard the same, that that's not really working out either. To the extent it did work, by shifting some of the trade to India, for example, the Indians also developed an increasing dependence on China to produce these products. So it's this attempt to do a short, quick fix to cut China out of the equation when it's the leading or dominant manufacturer and technological giant—it does seem foolish. But

with this economic war, it's obviously not going as Trump had hoped. How do you see Europe in this equation, though? Because while Europe is more of a passive actor, it still seems to be one of the major losers in this trade war.

#Shaun Rein

Europe should be the big winner of the trade war. Instead, they're the biggest loser. It's very frustrating for me to see people like Kaja Kallas, Ursula von der Leyen, Macron, and Mark Rutte—the former prime minister of the Netherlands, now the secretary general of NATO. They should be trying to extract benefits from both America and China. They should divide and conquer these two countries because, even though China is the world's second-largest economy, when you add all of Europe together, it's almost the same size. So China needs Europe, and America wants to trade with Europe. I think Europe is making a very big mistake—like with the Dutch, with Nexperia and the chips, with ASML—and allowing itself to be bullied by America into not exporting semiconductor lithography machines.

And most importantly, the wording—you know, you see, Rutte, the NATO secretary general, has said that China is obviously going to force Russia to invade NATO. But he's curiously silent when Trump is attacking Denmark over Greenland. So I think Europe needs to take a more pragmatic approach. They should look for a free trade agreement with China, which I think is something China wants. It shouldn't put tariffs or bans on Chinese technology companies like NEVs or Huawei. Instead—honestly, I don't mean to be offensive to Europe—but Europe is becoming a developing country, or region. And I understand their fears about the Chinese coming in. So what I would say to the Chinese is: we want reciprocity.

When we, Europe, were the powerful countries and you, China, were poor, you forced BMW and Volkswagen to set up joint ventures. This is what I would force the Chinese to do. I would say to Geely, or to BYD, or to NIO that if you want to build and sell in Europe, you can. And we're not going to slap huge tariffs, but we're going to require you to set up joint ventures with German, Hungarian, or Polish companies. That's reciprocity. I think what Chinese companies and China's government want is the feeling that they can invest in Europe, be allowed to invest, and have a playbook or a guidebook on what they can do. Because right now, they're scared to invest—like with Nexperia, they invested billions of dollars, and there hasn't been any proof of them doing anything wrong.

The Dutch operations were seized by the Dutch government. You saw Huawei invest a tremendous amount of money recently in France to open a new telecom manufacturing factory. And they shut it down a couple of months ago, before it even opened, because Macron's government was saying they were going to ban Huawei products in the 6G rollout. So, you know, I think Europe should be a natural trade partner for China. Chinese companies want to invest there, but they need to feel that

there's a rule of law, not just xenophobia and fear-mongering about China's rise. You know, Europe should be the big winner. I think it's shameful how Ursula von der Leyen and Kaja Kallas have dealt with China over the last year. I think you need better leaders.

#Glenn

Well, the benefit when you have technological competition between countries like the US and China is that technology transfer and all of that becomes something they have to negotiate when they want to compete for markets around the world. So regions like Europe could benefit from having essentially two suitors. The problem, though, in this new multipolar world is that the United States has an interest in carving out Europe as an exclusive zone — meaning, you should only trade with the US. And the Europeans seem to fall in line. They say, yeah, let's ban Huawei, let's limit the Chinese footprint in Europe.

But for the Europeans in a multipolar world, for them to prosper and stay relevant, they should really do the opposite. They should diversify, as you said before, within Europe. The way to overcome this is through self-sufficiency and diversification, instead of having this excessive dependence on one supplier or one actor. But that's exactly what the Europeans have done. All of this ties into the larger geopolitics — the rise of China being seen as a threat by the US as well as many European leaders. How do you see some of the current conflicts that are playing out now? You mentioned Venezuela before. How is this impacting China?

#Shaun Rein

So it's scary, actually. I think the world is on the brink of something very dangerous. I don't believe that Trump is looking at geopolitics in a thoughtful way. I don't think it's a realpolitik, John Mearsheimer or Ash Carter type of analysis. Stephen Walt, you know, I think we have—well, I'm not a psychologist—but I think we have a malignant narcissist in charge who's basically making decisions based on his own narcissistic tendencies: wherever he can exert power, wherever he can cause fear, wherever he can be the center of attention. And also, I don't have proof of this, but I think he wants to profit for himself and his cronies. Right.

I mean, you see all these people or companies donating money to him through PACs, and then they get huge benefits — whether it's stealing TikTok, or getting into cryptocurrency. I think we're in a very dangerous situation because Trump isn't looking at the world through political, geopolitical, or ideological views, but through his own mental issues. And I think that's scary. He doesn't see himself as a president, or a king, or even a god — I think he sees himself as above God. And that's scary. The second part is that, under Trump in the last couple of months, we've seen a willingness to go too far. They'll use political and economic coercion on a lot of people.

So I've been speaking with leaders from Latin America and the Caribbean, and they're quite nervous, right? If Trump can take out Venezuela, President Maduro, and say it's under narco-terrorism or

narco-trafficking, the question is, well, why did he then pardon the former president of Honduras, who was found guilty of narco-trafficking? And, you know, a lot of these smaller countries are scared that Trump is going to take them out, arrest them, do extrajudicial killings like he did off the coast of Venezuela—just kill people and place sanctions on political leaders and their families. And that's really what's scary right now, because it's not just the politicians; they're going after the children too.

And so a lot of government officials in the Global South are saying, you know, we don't want to stand up to Trump because we're scared that our kid who's in the United States, in California studying, will get sanctioned, lose his visa, become unbanked, and have to leave the country. There's a level of fear I've never seen before when talking to global leaders in the political South. I mean, they're used to being pressured by America, they're used to being pressured by China, but over the last three to six months, we've seen much more direct, almost hard coercion on politicians. I mean, you even see it with the ICC, right? The head prosecutor lost his access to Microsoft.

And so he lost all of his emails, right? You see Carrie Lam, who was the chief executive of Hong Kong during the rioting and terrorist attacks in 2019—she got sanctioned. The Chinese banks wouldn't even accept her or let her have accounts, so she had to be paid in cash. There's a lot of fear in the world today about what this realignment of the political and world order is. And again, I don't think it's about spheres of influence. I don't think it's traditional hegemony or imperialism. I think it's transactional, and I think it's developing from somebody who has, above all, a godlike complex. And I actually like a lot of his policies, frankly. I like his policies more than I like Biden's. But his lack of dignity is what's scary to me.

#Glenn

I initially liked the idea of the U.S. pursuing more aggressive industrial policies to reindustrialize. I thought that was a good approach, and I was hoping someone in Europe would argue for the same thing. But the way he's gone about it, through tariffs and all that, just seems counterproductive to a large extent. With China, obviously, having such a massive industrial base also means a huge dependence on energy. I've heard that because China is such a huge energy consumer—especially in oil—it actually has a major stabilizing impact on prices.

China has built all these massive storage facilities. When prices are low, China buys a lot of oil to fill them up, creating a kind of price floor. When prices go high, China dips into its storage, creating more or less a price ceiling. How do you see China in the larger international energy markets? Is this a problem? Is it a struggle to diversify? Is it aiming for full self-sufficiency? And to what extent—from Venezuela to the Middle East—is the U.S. now planning wars one after another? Is this a challenge to China's energy security?

#Shaun Rein

So just to start off on your idea of reindustrialization, I actually agree with what Trump wanted. I don't think he was wrong to say that America needs to reindustrialize. It creates jobs, and geopolitically it's a national security risk, right? It's dangerous when all of your antibiotics and ibuprofen are made in China and India—not because China and India did anything wrong, but because they were able to outcompete America. So America needs to create the ecosystem to attract manufacturing. They should do that, but they should do it fairly, not through economic coercion. And you just look at it.

Trump tried to get, you know, LG and I think it was Hyundai to build batteries in the southern part of the U.S. And then the police arrested four or five hundred of them because they didn't have the proper work permits. So that's just an example of why America won't reindustrialize until the politicians can get their act together. Now, when it comes to energy, I think Venezuela is an important cog, but not a super important one for Chinese oil—it only accounts for about four percent. A much bigger issue is Iran. Iranian oil makes up about 20 to 30 percent of China's oil needs.

So this is clearly something that's concerning Beijing right now—what's happening with the instability and the protests in Tehran and the rest of Iran, and whether or not the former Shah's son might come back and take over if Khomeini is toppled. This is definitely something that's scaring China because they still need oil. They're trying to reduce their oil dependence, but there are only so many reserves they can access. That's why there's a lot of tension over the South China Sea—there are oil deposits there that haven't been used yet, and China wants to stake out its territory to claim those deposits as theirs.

But China is pushing very hard on nuclear. They're pushing very hard on wind turbines. If you go into Inner Mongolia, Hebei, Xinjiang—lots of provinces in China—you see wind turbines dotting the entire landscape. So I'm not sure what Trump was talking about the other day when he said China doesn't have windmills. I mean, they're everywhere. They're huge. But clearly, you still need oil, even with all the renewable energy and nuclear power. China is still going to rely on imports from Iran and other countries. That's why what happens in the next couple of weeks in Iran is going to be critical for China's economy and its dependence on oil.

#Glenn

Let me just ask one last question: what do you see happening in China over the next couple of years? What's the main direction—or maybe not a crystal ball prediction, but your expectations based on where they're heading?

#Shaun Rein

I think, you know, China's government has a different philosophy than America's government. When you look at America, I think their leaders want to get voted in, so they focus their policies on placating the people in their district, the people in their state who would vote for them. They want to placate the Elon Musks, the Ken Griffins from Citadel, the Peter Thiels, the George Soroses, because they want to raise political donations. And I think that creates the ability for the wealthy to get truly wealthy in America, right?

If you're a young 22-year-old and you want to be an entrepreneur, America is superior to China if your goal is to get rich. Because I don't think the American government really cares that much about the low-income and middle class. They'll say they do, but at the end of the day, they care about their political donors. In China, on the other hand, Glenn, because nobody votes them in and there aren't regular transitions of power, if the policymakers don't do a good job, there will be protests and possibly revolutions. So China focuses on the majority rather than the minority.

What I see happening over the next couple of years is that China is going to keep trying to improve the quality of life for what I call in my book **The Split** the 90 percent—the low- and middle-class Chinese. They're going to grow over the next five to ten years to about 800 million people, and they'll try to give better access to health care and education. They want to create a moderately prosperous society. China doesn't want a society run by oligarchs—because, really, what we have in the United States is essentially a plutocracy. They want to help build that middle class, and I see that happening over the next three to five years.

Now, in the long term, that's going to create opportunities for the wealthy 10% to make money—selling education, selling healthcare—but it's not going to be the rabid, super-capitalist free-for-all you have in the United States, where the pharmaceutical or insurance guys are making 10, 20, 30 million US a year or more as a CEO. You know, in China, they'll say to a CEO, "You can probably make a couple million a year, but we're going to put price caps on so that the 90% can get access to the newest cancer treatments or the newest treatments for diabetes." So I think China is going to continue to grow well—steadily—and have a fairly healthy environment, a safe, good-quality, robust middle class. But again, if you want to get crazy rich, go to America, go to Austin, maybe go to Silicon Valley. It's not going to be in China. China is going to be a moderately prosperous society.

#Glenn

That's interesting. Well, before you go, where can people find you?

#Shaun Rein

The best way to find me is in bookstores. You can read my book **The Split: Finding the Opportunities in China in the New World Order.** It came out about a year ago and is still relevant, with chapters on AI, semiconductors, and rare earths. You can also find me on Twitter or LinkedIn. I might set up my own podcast in the coming months, but I'm not sure yet.

#Glenn

Great. I'll leave a link to your book in the description, and thank you so much for taking the time.

#Shaun Rein

Thank you so much, Glenn, for having me. It was a real honor. Happy New Year to you and your audience, and thank you for allowing me to share, perhaps, a different perspective than many people might have on China today. Thank you.