

Business Prof. REVEALS China's Insane Advantage Over West | Giles Chance

Giles Chance joins me to discuss China's rise, from Deng Xiaoping's reforms and WTO entry to the 2008 crisis, BRICS, Belt and Road, and rare earth leverage. Chance, author of "Doing Business in China" and "China and the Credit Crisis," also examines Xi Jinping's impact on the private sector, tensions with Washington, and the outlook for a more multipolar world. Links: Books By Giles Chance: Doing Business in China: <https://www.amazon.com/Doing-Business-China-Giles-Chance/dp/1032147644> China and the Credit Crisis: <https://www.amazon.com/China-Credit-Crisis-Emergence-World/dp/0470825073> Neutrality Studies Substack: <https://pascallottaz.substack.com> (Opt in for Academic Section from your profile settings: <https://pascallottaz.substack.com/s/academic>) Merch: <https://neutralitystudies-shop.fourthwall.com> Donation: <https://neutralitystudies.com/donate> Timestamps: 00:00:00 Introduction and Giles Chance background 00:04:53 China's business model and rise 00:08:01 Deng Xiaoping and the export boom 00:19:35 2008 crisis BRICS and Belt and Road 00:26:16 China's industrial power and self reliance 00:29:43 China and the new multipolar order 00:39:13 Xi Jinping party control and business 00:46:38 Tariffs rare earths and US China ties 01:01:52 Books and closing remarks

#Pascal

Welcome back to Neutrality Studies, everybody. My name is Pascal Lottaz, and today I'm talking to Giles Chance, the author of the fascinating books *Doing Business in China* and *China and the Credit Crisis*. He's about to publish another book shortly on China's global impact in technology, geopolitics, and the new multipolar order. So I thought that's a wonderful thing to talk about. Giles, welcome.

#Giles Chance

Pascal, well, thank you very much for having me. And I just want to record before I start talking about myself a bit to say that I'm a great admirer of your platform, because I think there's a great and increasing need now for truth and true discussions, which are free of various sorts of censorship, which unfortunately we now see in the West as well as in China. So it's a great thing to be on your show, and I feel very honored to be here. Thank you very much for having me.

#Pascal

Thank you very much. Yeah, thank you for coming online. And yeah, do tell us a little bit more about yourself and your background. How is it that you are so connected to China and the business world there?

#Giles Chance

I thought I'd better say a little bit about my background, because lots of people say lots of things about China and everything else. And it's important to establish one's credentials as somebody who knows what they're talking about. I got involved with China, first of all, because I met a Chinese lady at the World Bank in 1984, where I was working. She was from Beijing, and there weren't too many people from mainland China working in America or indeed at the World Bank at that time. We got together, we got married in London four years later, and I ended up going to China to meet her family in April 1988. I was then 37 years old, and that was the first time I went to China.

And then from that, we developed, first of all, activities — a very successful business — which advised multinational corporations like Boots, Marks & Spencer, Vodafone, Rolls-Royce, and other British and indeed European multinationals in China up until 1995. And we also helped a lot of Chinese state-owned companies, because there weren't many, in fact any, private companies in China in the early 90s, to acquire technology — buy technology, I should add — from Europe, and one or two deals in the U.S. And that was for six years, up until the middle of 1995. We had by then two small children, so I decided that running a business with about 10 or 15 employees and being very busy flying around all over the place was not really compatible with bringing up two small children. You have to choose one or the other. So we sold the business.

And then the second big China activity I was involved with was much later, as my children were at school. We set up in 2003 a very small investment banking operation, which was a subsidiary of a much larger bank, focused on helping private Chinese companies to raise capital in Hong Kong and also in London on the stock market. The first deal we did actually was with a small Chinese auto manufacturer called Geely, which you might have heard of. Geely is now the second largest car producer in China after BYD, and a leader in the electric vehicle industry. We did a lot of deals for private Chinese companies between 2003 and the end of 2007, and we sold the business luckily just before the crash and exodus. I then spent 10 or 12 years teaching at Dartmouth College, which is an Ivy League university in America, in the business school, and also at Peking University.

So that's my experience of China. I saw it really when it was just starting to develop, when the economy was completely controlled by the government. The emergence of the private sector is really what's created the modern Chinese economy, along with direction from Beijing, which is important. And I saw it all the way through to the emergence of the private sector. And then subsequently, as a professor or visiting professor at Peking University, talking to my students and the other faculty members about what they thought about the rest of the world and what they thought about China. So I think, I hope, that's a solid background for the sort of comments that I'm going to make and the sort of discussion we're going to have.

#Pascal

Yeah, so, I mean, from all of these experiences, how did you come to understand China's business world and how it's different, and maybe how it interlinks with China's development model? Because over the last 30 years, I think China is just the single most successful model in lifting 800 million people out of poverty and into the middle class. That's just unheard of, unrivaled, and it has something to do with the way the entire entity works and how it allowed for business to happen. What's your assessment?

#Giles Chance

I think it's a completely... The first starting point with China, or indeed other countries outside North America and Europe, is that China is completely different from us. They come from a completely different place. And it's very difficult. I think that the first moves that were made in the West towards China, first of all by America—and Europe, of course, has been following America for a long time, so I'll talk about America really as a proxy for Europe in this context—was for China to join the World Trade Organization.

The sign-off was in November 1999 by Americans, and then they actually went through in 2001. And America supported that idea because they thought that if they brought China into the World Trade Organization, into the world which they dominated, then China would eventually become like America and they could fit it into the American system. That's what they thought at the time. "We'll make China into a liberal democracy." That's really what they believed in Washington in '99, 2001. And I'm sure you can see that now. That's how they thought. But what they didn't understand, of course, was that China is completely different.

And the Chinese had very different ideas from the Americans. And China is a very ancient culture, as we all know—at least 5,000 years old in recorded history; it goes back further than that, but in recorded terms. So the Chinese perception of themselves and the West was very different from what the Americans thought of China. And that is still the case. So I think that, back to your question, how is it that China has been remarkably successful? It's a combination of pragmatism, a very enlightened top-down government, and, in particular, the entrepreneurial and business skills of the Chinese people, I would say, in one sentence.

#Pascal

You wanted to say some more, wouldn't you? Hey, very brief intermission because I was recently banned from YouTube. And although I'm back, this can happen anytime again. So please consider subscribing not only here, but to my mailing list on Substack. That's pascallottaz.substack.com. The link's going to be in the description below. And now, back to the video. Maybe a little bit more about the development model that they followed. Because yes, okay, they entered the World Trade Organization and really opened up and actually kind of agreed to them becoming the factory of the world, right?

And starting to produce at really cheap prices. And for a long time, you know, there were a couple of economists who pointed out, who were saying like, oh, the Chinese are getting the worst part of the deal. Because when you look at the smile curve of where all the value added and so on is produced, actually, you know, just being the sweatshop of the world won't get you very far. Now, no, it got China very, very far. And it developed in many, many different directions. How did you perceive that?

#Giles Chance

Well, the starting point really was, I mean, I think that you have to talk about individuals as being very important. Deng Xiaoping—China was very fortunate that when Mao died, Deng Xiaoping, his colleague for many years from the 1920s in forming the Communist Party of China, was a very pragmatic and highly intelligent, in fact, brilliant man. And he saw that a complete change from the Mao period, the Cultural Revolution and all that, had to happen. And he knew inside out China's potential. And so he encouraged, after a decent period from the late '70s, changes, reform. And these took a long time to happen, but gradually, over a period of years, the Chinese began to start thinking about doing things for themselves, about starting their own businesses.

And state companies were encouraged to go abroad to America, to Europe, and to buy technology from other places, bring it back, learn about it, and apply it—in other words, to modernize the Chinese economy. The other important development that happened, starting really almost from the late '70s, early '80s, was that Chinese people in Guangdong, Guangdong Province, next to Hong Kong—the Hong Kong Chinese saw an opportunity here. They went across the border, talked to people in Guangdong, and set up factories just across the border from Hong Kong to manufacture all sorts of very cheap products like shoes, hats, clothes, those sorts of things. They saw that there was an almost infinite amount of very cheap labor.

And that's where the whole export and also private sector started in China—from Hong Kong and Guangdong. And when... you'll remember that there was an interruption in Tiananmen Square in 1989, on the 4th of May, when the Chinese government shot the protesters. And basically, the economy closed down for two or three years because Deng was terrified of instability, and the Chinese were terrified. But he paid a visit several years later, in 1992. Where did he go? He went to Southeast China, to Guangdong. And that's where the whole economic revolution began in China. And he went down there and he said in a loud voice, "Let a thousand flowers bloom and a hundred thoughts contend," meaning let everyone do what they want and say what they want. And we're not going to stop them from doing that.

And that was a huge change for China. And that's really a signal to the Chinese people that the brakes were off and they could go for it. And that's really from 1992. If you look at export growth in China from 1992 to 2000, there was a spectacular change. And then from 2000 onwards—obviously, I actually made a note for another point I want to make later—of the last three months of each year from 1998 to 2006, these are Chinese exports to America, the United States of America. Last three months, October through to December 1998, the total was \$19 billion, \$19.1. By 2003, the total was

\$43.9 billion. By 2006, the total was \$81.3 billion. So from 1998, the last three months of the year, \$19 to 2006, \$81 billion. That's how fast the whole thing expanded and developed.

#Giles Chance

And my first book actually was really about—the first part of it was about this extraordinary explosion of exports from China into the developed world, particularly America. It had a huge impact on price levels. And in fact, that's why the title of the book was *China and the Credit Crisis*. Because what happened after 2000, 2001 was that Greenspan, who was the governor of the central bank—obviously the Fed chairman—much influenced by Bernanke, a professor then at Princeton, believed that there was inadequate demand in the US. And he kept interest rates very low for very long, right up until 2003–4. In fact, he was much criticized at the time for doing so by people like William White, who was president of the Bank for International Settlements.

But Greenspan did that, and the result was that you got a wildly overheated financial system in America. We had an expression which emerged in 2002 or 2003 called the search for yield. Interest rates were at one or one and a half percent for a long time, and bankers in America just needed to create instruments whereby they could get returns of three, four, five percent. And so that's where the whole subprime industry came from. And I argue in the book that, in fact, the suppressed price inflation that we saw in America from the mid to late 90s and through to the 2000s was not the result of inadequate demand, as Greenspan and Bernanke believed, but it was actually the impact of globalization and, in fact, particularly deflation.

China's emergence onto the global scene—and in fact, if you consider that China then, with its population, accounted for about 20 to 25 percent of the global population—it doesn't now, because Africa and Indonesia have become more populous, but then it was about 23 or 25 percent. And if you suddenly add a quarter of the world's population, you're going to get a huge impact. I remember being interviewed on BBC News in about 2000, and the newscasters were sitting at the table, and they said to me—I was then working, I'd become quite well known for this bank that we'd started, and I used to get called in to talk about these sorts of things—and the interviewer said, "Mr. Chance, what does China joining the World Trade Organization mean?"

And I said, well, if you join about a quarter of the world's population to the rest of the world, it's bound to have a huge impact. And the newscasters said it as though I was on another planet. They couldn't even begin to understand what that meant. And I think that was the problem with Messrs. Bernanke and Greenspan. They just didn't have any comprehension of the impact that America was making in the late 90s and through the early 2000s. So this policy of keeping interest rates low for a long time because of lack of demand was wrong. And it led to the credit crisis. And the credit crisis led eventually to quantitative easing, which was a huge mistake, a huge mistake. Why? It's created massive debt levels in America, in France, in Britain, in Italy. And all these countries have debt-to-GDP of well over, well, between 100 and 140%. I think Italy is about 150%.

And these are non-sustainable. And something will have to happen, and there will be a huge financial crisis. This all, in my view, goes back to the misdiagnosis in the early 2000s of China's impact on the global economy. So that's my first big—that's the book I wrote in 2009. And since then, I should just add, since 2009, there's been a lot of economic research. I was looking this morning at a paper from the Bank of France from 2022. It's now generally accepted amongst economists that globalization—in other words, China's emergence into the rest of the world—did create significant downward pressure on price levels throughout Europe and America and is responsible, or was responsible, for possibly 2% to 3% lower inflation than otherwise would have been the case.

But economists are very good at looking backwards. Nobody at the time, in 2008, 9, 10, understood this, except me, actually, because I'd been working in China. I'd seen all this happening. I'm educated at a business school in America. And that's why I wrote the book, *China and the Credit Crisis*. So really, the book is about how China didn't itself cause the credit crisis deliberately, but without China's emergence onto the global market, the credit crisis would not have happened, and we wouldn't have had quantitative easing. The other problem, of course, was Messrs. Bernanke and Greenspan. Bernanke did his PhD thesis at Princeton—or Harvard, I think—on the Great Depression in the early 1930s, when interest rates were kept too high for too long, and it made the Depression much, much worse.

So as soon as he saw this apparent lack of demand in the late 90s and very low inflation, he immediately concluded the problem must be lack of demand, and therefore the central banks must not make the same mistake that they did in the 1930s. Hence the very low interest rate policy, which went through to about 2004. By then, of course, the damage was done. So I think that Bernanke and Greenspan got it completely wrong, and they made a huge mistake. And that's really what my book was about. The other thing that the book was about, before you make a comment, is that 2008 was a great moment, a watershed for Chinese perception of the rest of the world. Until 2008, the Chinese believed that following America and the West was the right thing for them to do.

America had a model which worked. They should try to pursue it. 2008 came as a huge shock, and the Chinese were immediately forced to create a massive stimulus package of \$440 billion, which they pumped mostly into infrastructure in China, which offset the downward impact from the Great Financial Crisis. And they went away and thought about it. They changed their whole development model and policy to concentrate on their own ideas, not on American ideas. And that's really where things like BRICS and Belt and Road and the whole Chinese independent development model came from—2008, the Great Financial Crisis. So that's really what I wrote about in 2009.

#Pascal

This is quite fascinating. So the crisis in the West, the financial crisis that started with the Lehman shock—I mean, this to you is the wake-up call. It's the wake-up call for China to say, like, no, wait, we need to change our strategy. And actually, the whole Silk Road, One Belt, One Road, and feeding

into BRICS is then kind of the outcome of that thing. Like, no, no, no, this is not sustainable. We need something different, and we need to build it not just alone, but together with others.

#Giles Chance

Yes. I think that was the moment when they sort of woke up and realized that following the Western model wasn't the right model for them and it was unsustainable. You'll understand, I'm sure, because you've thought about China. The stability of the Chinese is very, very important. They've had, you know, thousands of years of history, and they've had periods when it's been extremely unstable in various regions, slightly with other regions. But they're prepared to pay a very high price for stability in a way perhaps in Europe and America that we're not. And so any suggestion that their system might be destabilized is something that they don't like. So that's where it came from, and that's where their policy, I think, developed in that way.

#Pascal

How big was the impact of, like, let's say—and I can't put my finger on when it started—but at some point in the mid-2010s, the US started to systematically sabotage the WTO, the World Trade Organization? And the taking down of the system, the way it used to work—and, you know, the United States does that sporadically, right? You start with Bretton Woods, but then you end with Nixon taking down the gold standard. And you have the GATT that gets transformed into the WTO as a gold standard. And you—not, sorry, I shouldn't use the same word actually, because I really just mean as the infrastructure on which world trade works. And then that gets sabotaged over the 2010s with these flimsy excuses of national security and whatnot. How big was the impact of this kind of, you know, the United States changing the rules of the game that it itself wrote, mid-game? And at what point do you think China really wrapped its head around how to deal with that?

#Giles Chance

Well, I think that 2009 was the big wake-up call. They realized that they didn't want to be subject to these... I remember when I was teaching at Peking University Business School in 2009, talking to some of these students and Chinese faculty members about the whole... I remember them saying very clearly, we don't want to be part of this system. It's unstable. Why don't we just rely on our own ideas?

#Pascal

Yeah.

#Giles Chance

I mean, China is a very ancient culture. They're very proud. They think they know a lot of things. They do know a lot of things. And so they think they can do it themselves. They don't need the American model. And so it's proved. And we're still trying to get our heads around the fact that the Chinese themselves have thought of a way of doing things which is not our way. It's their way. But it works. And we still can't accept that. But it does work. They've told us. A remarkable sort of top-down, centrally controlled system, which involves a lot of competition and free market competition between different companies, and which creates or can create a very dynamic economy. Unfortunately, I will talk a little bit more, if you want me to, about why under Xi this is not turning out so well.

But they've got this remarkable sort of directed system where currently you've got a sort of two-speed economy in China, where you've got these highly subsidized sectors creating tremendous gains in critical areas like AI, for example, robots, electric vehicles, batteries — all the things that China thinks are important. And China is forging ahead in a lot of these areas, ahead of everybody else. And then you have the rest of the Chinese economy, which at the moment, used to work very well when it was allowed to, but under Xi Jinping isn't being allowed to. And because he's stamping on the private sector, which is the great driver of economic growth and dynamism in China, that is not working. And so the rest of the Chinese economy is kind of staggering along, and there just is a lack of dynamism.

When you look at the latest growth figure, I think for the first quarter of 2026, year on year, I think they came up with 5%. Almost all of that came from capital investments and export growth. Export growth in China is regarded as being, by this government at least, an important growth driver. But if you look at the trade deficits that America has with China, with Europe, I think the American trade deficit is—I can't remember the numbers offhand—but it's enormous, \$200-something billion. The same with the EU. And typically, if you get, say, \$100 billion of trade between a country and China, China accounts for something like two-thirds of it as Chinese exports and one-third of it as Chinese imports. And that's a standard pattern across the board. And it's unsustainable.

It can't go on. The rest of the world won't accept this. So the Chinese economy, we've been talking about for a long time, does have to change. But unfortunately, this government under Xi Jinping is not the right government to change it. Why? Because they put a great deal of emphasis on strengthening and maintaining the position of the Communist Party, and in particular, in Xi Jinping's case, preserving and maintaining his own position. And that comes ahead of creating a prosperous and successful Chinese economy. Unlike Deng Xiaoping, who felt so secure in his own position because of his relationship with Mao over many years, he didn't have to worry about it. And he was able, therefore, to take the sort of bold and risky steps that he took. That is not the case now in China. That's what I think.

#Pascal

And so which parts of the Chinese economy are not performing as well as they should? And what do you make of the sheer fact that China now, in 2026, is just capable of producing so many things—not just things that they export, but also things that are being used internally, right? I mean, the level of infrastructure that China is building is out of this world. I mean, when it comes to bridges, buildings, ports, airports, railways—everything that they're able to do with what they have internally. That's also the other thing: China is relying on a couple of critical imports, especially energy, but China is also working at high speed on changing that kind of reliance. And what it allowed them to build is further self-reliance, for instance, in the information technology space and what people call digital sovereignty. China just seems to have an infinite capacity to supply itself with what it needs.

#Giles Chance

Well, it's partly based on the great economic strides made in the last 20 or 30 years. And China's adopted, under Xi particularly, this sort of top-down government-led subsidy scheme, which concentrates on certain sectors. But underneath that, the Chinese economy, if you use purchasing power parity—which the IMF, the International Monetary Fund, and the World Bank use to measure different countries' economies against each other—I think it's the correct measure because it adjusts for differences in exchange rates and prices. China's been the largest economy in the world for some years and is now substantially larger than the U.S. economy.

The general perception is that America's still got the biggest economy in the world, but it doesn't. China's economy is bigger. And that's one reason why the Chinese impact is so enormous and becoming even more enormous. And actually, that's partly what my book that I'm writing now, my second book, is about. China's adopted—Xi Jinping has adopted—this self-sufficiency idea called dual circulation, creating a sort of internal economic circulation system which supplies a lot, or most, of what China needs. And this has been a deliberate policy over the last three or four years within China because he wants to reduce ways in which his so-called rival or enemy—I mean, particularly the Americans—can damage China.

And that's directly aimed at that. So I think that kind of partly answers your question. But China, since, I suppose, 1990, 1992, developed this remarkably diverse and successful economy. And it's just a very big country with a huge population. They're very clever people and they've made it work. And I think anyone who hasn't been to China should go there because it's—well, we'll come later on to whether this is the Chinese century or not. I hope that's something we can talk about in a moment. But it is a remarkable spectacle.

#Pascal

Let's talk about just that, because your new book that you're writing will also have the title of how China will impact the multipolar order. So how do you see that? I think one of the misunderstandings

in the West is that we think that because we try to remake the world in our image, everybody else and every other culture must be trying to do that from their side. Although my interpretation is that that's not what the Chinese are after. But how do you interpret it?

#Giles Chance

I totally agree with you, Pascal. I think our perception is that the Chinese are an enemy. I mean, you have to go back to Wolfowitz and the Wolfowitz Doctrine, if you know what that is, which he wrote when he was deputy secretary of defense under the elder Bush. And the Wolfowitz Doctrine was the idea that, which really came after 1990 when the Berlin Wall fell, Wolfowitz, deputy secretary of defense, wrote this idea, this doctrine, this paper to say that the American goal must be to make sure they were number one and any rival anywhere around the world must be crushed. I mean, it's much longer than that, but that, in one sentence, is what the Wolfowitz Doctrine stated. The elder Bush, George W. Bush—George H. W. Bush—when this came up to his desk, threw it back and said, this is a load of rubbish.

I can't possibly... Who are these idiots? But after 9/11, it became the attack on America from somewhere, from bin Laden, who lived in Afghanistan or somewhere like that. It was much easier to persuade the American elite that, in fact, this strategy of the Wolfowitz Doctrine—America first everywhere—should prevail. That's the starting point for all this. It came from the Wolfowitz Doctrine, which actually was then used, in my opinion, by Wolfowitz, who was a Zionist, to demolish the enemies of Israel. But perhaps we better not get onto that subject because that's another totally different subject and will involve a lot of your listeners sending in rude messages.

#Pascal

So let's stick with China, because like Zionism, we can talk about that too, but let's stick with China.

#Giles Chance

I want to talk about the Wolfowitz Doctrine because that is where the American thing comes from. And of course, here in Britain and also in Europe, we followed blindly along behind the Americans for years because they provided the security up front. And we haven't yet learned, now that the Americans, that Trump's taking away this, we haven't yet learned to think for ourselves in Britain and in Europe. And we will in the next few years, but it's taking time. So when you talk about the way that Europe and America look at China, we have to talk about America and Washington, D.C., because everybody else follows along behind them. And this is where it comes from, this idea that they're an enemy, they're a rival. Therefore, we have to get rid of them, which seems an extraordinary way to think. But that's where it comes from. Okay. And I'm just addressing the point that you made.

I think we can, if you like, get on. I mean, the book I'm writing at the moment is called *China's Global Impact: A Technology Geopolitics Project and the New Multipolar Order.* And what I'm trying in the book to do, for people who haven't thought much about this—you obviously have, but there are many, many people who haven't thought at all about it—is to sort of bring them up to speed a bit with where China's coming from and talk about the impacts China's emergence has had on the rest of the world over the last 30 or so years. For example, the price effect that I described earlier in the talk in the late '90s, before 2000, and the whole dot-com boom thing, which eventually led to the credit crisis. And then, of course, BRICS wasn't particularly a China innovation, but I think China, after the great financial crisis of 2008, decided to use BRICS as it was then.

There was no South Africa until 2011, but Russia, Iran, China, and Brazil as a vehicle. And then the Belt and Road Initiative in 2013, which has made a huge impact in, for example, Southeast Asia, Africa, across the world, and with something we don't see much of in Europe and America, or indeed where you are in Kyoto, I don't suppose. But it is making, and has made, and will make an enormous economic and geopolitical impact involving billions of dollars and many, many different projects. Another impact I think is really important in the West—in America, Canada, and in Europe—is the invasion of our schools and universities by mainland Chinese students. I did some research on this, and I discovered that up until a year or two ago, 20 to 25% of all students attending a university in America and the UK are from mainland China. It's an extraordinarily large number, that 20 to 25%.

#Pascal

I never understood that—why it is that China has so much economic success and is now so good at all of this, but there's still this huge drive to send kids off to universities abroad. Because it seems to me they must have so many good schools over there.

#Giles Chance

Well, they don't. Well, you teach at Kyoto, so you know very well. I mean, I'm sure that Kyoto is one of the finest universities, certainly in Japan, probably in Asia. But the Asian—certainly the Chinese—I'd be interested to know what you think about this, being a professor at Kyoto. I found when I taught undergraduate and graduate classes, MBA classes in Beijing, at Peking University, the Chinese educational system is brilliant at learning. And what it teaches you to do is to read all the books quickly, stick them in your head, and when you come to take the exam, be able to spill it all out again. The idea of thinking independently and for yourself and drawing your own conclusions is not something the educational system in China is very good at teaching. And that goes right back to the meritocratic civil service exams, which were introduced by the first emperor thousands of years ago.

There's always been a great source of honor in China, as I'm sure it is in Japan, to pass a civil service exam, which is very competitive. And it's been based on reading texts and regurgitating them in exams. You're not allowed to think much for yourself. And that is the reason why parents who can afford it, educated people in China, have been sending their children to Harvard and whichever good universities they can get into, and also not-so-good universities they can get into in Europe, and particularly in Britain, America, and Canada, because they see the need for a much more rounded education than they can get in China. I'd be interested to know, Pascal, what you think about Japan and Kyoto in that context, about the roundness of it. You know...

#Pascal

I find it quite funny because actually, in this department, the Japanese education system is much more like the Chinese one. It's also more geared, especially up to high school, toward learning in terms of remembering than learning in terms of how to produce. Which is why a good part of the professor's education that we try to give to students at the university is to try to undo a little bit of that and say, like, no, now you have to get ready for the knowledge production phase of life, which is a different kind of skill set, including, of course, presentation and dialectics and whatnot. But the school system itself is geared more toward that.

Yet also in Japan, you have a very good number of Chinese students who come here to the universities. And actually, a lot of Japanese programs are trying to cater to that, of course, because the Japanese universities are running out of students since the birth rate is declining so heavily. English language education is also geared not just toward America, the UK, and Europe, but also toward Chinese students who didn't learn in English. Although I must say, a lot of Chinese students also learn and study in Japanese. They are much better at learning Japanese than North Americans and Europeans. So there's a big mix here, but it definitely speaks to the dynamism that comes out of China.

I was wondering, though, what all of this then does to the business sector at the moment in China, right? On the one hand, you have these now 30 years of development. On the other hand, you have huge expectations for the future. Are you a little bit worried that the meteoric rise of China as an economy is also creating expectations about the future that might be difficult to meet? And we know about China that there are a lot of people who work in these very demanding jobs that do have a difficult time keeping up, and that there are people who are resigning. So what is your thinking about how the inside of China develops at this point?

#Giles Chance

It's very difficult to pluck a solution out of the air and say, this is what you should do, that's what you should do. But my original point I made some minutes ago was that the Chinese system, which was incredibly successful for a number of years, is because the government allowed it to develop.

And the reason it's kind of become less dynamic is because it's become less and less compatible with the strength—I'm just making sure my computer doesn't collapse—it's become less and less compatible with the survival of the way the Communist Party works in China at the moment. I can go back, if you like, to this. I mean, I was teaching at Peking University in 2010–11. That's when I think the Communist Party really began to get worried about its position in China.

It could see that the buoyant, dynamic economy was producing megastars like Jack Ma and many other people, like the founder of BYD and other very successful businesspeople who'd made billions. And these became the role models for Chinese people. The party didn't like it, and they wanted to be the role model. And what Xi Jinping's done in the last 10 or 15 years since he's been president is to put the party back front and center. And that's meant telling people like Jack Ma, you know, if you don't toe the line, you'll be in prison. You watched it, right? And that's the problem in China at the moment, that the party as it currently exists and a dynamic economy which developed its own demand—consumer demand, investment demand—outside of government investment, depends on a more dynamic system.

So the Communist Party has to change. And this is well known in China. And people have been trying to get rid of Xi Jinping for a number of years because of that. But he refuses to go. So the question is, his third term comes up next year, in 2027. Okay, that's his third five-year term. And the question is, will he go for it? I think he's now 71 or 72 years old. Will he go for a fourth term? Or will they succeed—the external forces led by people like Hu Jintao, who is the former president, and Wen Jiabao, former prime minister—they and others, will they be able to get rid of him and put somebody else in who can manage this change within the party, which is consistent with a more dynamic, forward-looking economic system? Or will Xi Jinping stay in power and continue to repress society in China? That's one of the big deals at the moment.

#Pascal

I've had discussions on this channel, you know, with people who also argued that, you know, there are still these different strains within the party, within the entire state apparatus, that are still more loyal to, let's say, the Maoist heritage, that are more dogmatic or ideological. And then we've got, as Zheng Zhang called it, the strain of the Dengists, who are the more business-focused folks that are also inside the party and inside the state apparatus, who are more focused on how to increase trade—just trade over everything—versus, well, ideology first and trade second. Do you see also this, or did you see this kind of, these two parts of the soul?

#Giles Chance

Yes, very much so. There's a huge battle. There has been a huge battle for some time. Xi Jinping has employed the weapon of an anti-corruption drive, and he's used that to get rid of, lock up, or kill people who are opposed to him.

#Pascal

They just...

#Giles Chance

The latest person was a former member of the Politburo Standing Committee called General Zhang, the head of the People's Liberation Army in China, who's now in prison for corruption. And he's conducting a huge purge within the top levels of the army because all these people want... They can all see what I've just been saying, that Xi's done his time. He shouldn't have stayed on for more than 10 years. And it's time he went. We need somebody else who's different. And it's rather like saying about President Trump, you know, we want a different kind of guy. He's the wrong person. But in America, it's easier to replace him. We just have to wait for two or three years. In China, Xi's made it very difficult.

So you're right. There's a great battle going on. Wen Jiabao, Hu Jintao, and other people still have a lot of power because they were—Hu Jintao was the president for 10 years, and Wen Jiabao was a very good prime minister, I think. They still have a lot of power, so we'll see what happens. I mean, I think the big question, October 27, when the next—I think it's the 19th Congress of the Communist Party—occurs, is whether Xi Jinping will succeed in getting another five-year term or not. If they manage to put somebody else in, I think a good guy would be somebody called Hu Chunhua, who's currently been sidetracked off to become the vice chairman of the CCPIT. It's kind of a non-job.

But he's got a brain. He went to Peking University, which is very difficult to get into. Ten million people take the Gaokao, the college entrance exam, every year in China. And about 2,000 of those 10 million people go to Peking University, and another 2,000 go to Tsinghua. So if you get into Peking University, it means you're very, very good at reading all your books and learning them. And he went to Peking. Hu Chunhua went to Peking University. So he's a very clever guy. And he's also liberally minded. I think that Xi Jinping has been trying to dig up dirt on him but hasn't been able to. So if he could dig up some dirt, he'd arrest him and put him away because he knows that he's a threat.

#Pascal

We have this internal rivalry, which will certainly also continue. And the business of politics is not the cleanest one to start with. But if we look at the way that China has learned how to deal with the United States, there are a couple of things that really surprised me over the last one or two years. One is that China could stand very firm when it came to the idea of tariffs from the United States. The other thing is that they did actually threaten the rare earth card, and that they were not shy about it anymore as they were before.

And the third one was just recently that China announced that it would forbid its petroleum sector from implementing US sanctions when it comes to Iran, and that they would support these petroleum manufacturing companies in case they came under secondary or tertiary US sanctions. I mean, how do you interpret China's economic approach toward managing this aggression? Again, it's like the outcome of the Wolfowitz Doctrine that is still raining down on China from the United States.

#Giles Chance

Well, I would say that it's kind of exactly what you've said. I mean, I think that China would prefer to have, as you made a comment earlier, that China would prefer to be friends with everyone. I mean, it's not quite as simple as that because China, and we all know that we're all very different from each other and there will be disputes. But going around killing people and attacking countries is not the right way to go. China would prefer to have a more diplomatic engagement. And as I said, I think right at the beginning, if we start thinking now about where things are going to go from here, which is, I think, of interest to everybody, there's been various projections. My own idea is that there will be a financial problem.

At the moment, it's impossible to see America and Europe, the West, in any way giving in to China or doing any sort of deal with them because China's a threat. And something we haven't mentioned is COVID, and that's one of the big impacts China has made in recent years on the world. COVID came out of China. I was there when it actually started in China. I can talk about that a bit. But in any case, it came out of China. And I think the rest of the world, and particularly America and European countries, associate COVID with China. And that was instrumental—COVID was instrumental—in turning our perceptions of China away from interest and curiosity and some support into the idea that China is an enemy.

And that's what a lot of people now think about China. They're bad news. They're people we shouldn't be doing business with. But the fact is, though, that China's there. And the Chinese attitude, I think, is that a connected, peaceful world serves Chinese interests for two reasons. First of all, they're the biggest trader in the world by far, and it's in their economic interest to be able to do business with everyone. Secondly, I think it leads into something within the Chinese spirit and education—the idea of Daoism, which started around 500 B.C., and the idea that life ought to be simple, peaceful, restful, and one shouldn't be aggressive at all.

I'm very much simplifying that. And Buddhism as well is something that most Chinese—unconsciously or consciously, mostly unconsciously—are affected by through three thought beliefs. One is Buddhism, one is Taoism, and the other is Confucianism. It's rather like most Europeans—well, most Europeans don't go to church, but they're still influenced by Christian ideas and Christian norms. In China, Chinese people are all influenced to some extent by Buddhism, Taoism, and Confucianism. Although if you ask many Chinese people, they won't know what you're talking about. Some of them will, but many of them won't.

#Pascal

But they are affected by these ideas.

#Giles Chance

The idea that the world should be peaceful and connected is not just beneficial for economic reasons. I would argue it's also beneficial for cultural reasons.

#Pascal

Yeah. And then how does that now, at the moment, also impact the business world? Like, I mean, if you went, or when you advise people who want to do business with China and they only have experience, let's say, in Europe and North America—not that they're the same—but I would say culturally we can read each other. When you advise them on how to approach, how to build a successful business in and with China, what do you tell them? And how would that impact the future when China will potentially be even much, much larger and much more important, right?

#Giles Chance

Well, the best thing you can do is to buy this book. The second best thing you can do is—I'll just paraphrase one or two ideas—that the most important thing in China, as in many Asian societies, I'm sure this is true in Japan, is to communicate with people on a personal basis. In other words, for them to trust you. And they may not like you, but it's better if they do like you. And why not? But the Chinese operate on a personal basis with people. So if you're trying to do business with people in China, the first thing to do is not to be rude to them or punch them in the nose, but to try and develop a personal relationship with them. This is the whole key to doing business in China. People who understand that will get along. People who don't will find all sorts of problems. The Chinese will, behind our back, say something like, "Here's another stupid, ignorant, proud foreigner, and we'll teach him a lesson."

#Pascal

So that's very important. We're speaking today only two days or so before Donald Trump is supposed to meet Xi Jinping in Beijing, right? I mean, I think they're going to meet on the 13th, and we're speaking today on the 11th. Do you think there's any kind of future for the Chinese-American relationship if the U.S. doesn't change its tune toward China significantly?

#Giles Chance

Well, on that, I come back to my idea that I think it's economic. I am also an economist as well as a historian. I worked in a bank, an investment bank, for a number of years before I got into China. I

think there's going to be a massive financial crisis starting in the U.S., starting because of inflation. I mean, Pascal, you and I, it's not difficult to see that inflation is on the way up. It has to be. Oil prices have gone up from \$50 a barrel to \$120 a barrel. And oil products, we see them everywhere—plastic and everything else. Let alone food, let alone fertilizer, the shortage of fertilizer, food prices, and so on and so forth. Inflation has to go up, and it will start going up in a month. We'll start to see the impact in a month or two, from 2% or 3% up to 5%, 6%, even 8% or even 10% per annum, annualized inflation.

Interest rates will have to go up. What will higher interest rates—5%, 6%, 7%—do to the debt interest payments, which have to be made by the American system, which last year were \$1 trillion, and that was at a relatively low interest rate? It will break the system. Right? Has to. I mean, if you think that the U.S. defense budget last year was \$800 billion, and debt interest payments—interest on the debt, public debt of America—were \$1 trillion. And I haven't even talked about private debt, of which there is a great deal, non-public debt. Hedge fund managers borrowing from each other and all sorts of balance sheets with assets which have been exchanged and may not have the right value. Every 20 or 25 years, it's the way the system works. You have to have some sort of crash in order to bring people back down to earth.

We haven't had one since 2008. Before that was 1987. I was an investment manager at the time, so I remember it very well. In 2008, I was just involved with China, wrote this book. And then I think 1970, 73, 74. We're due for another one. And if there is a crash, which I think there will be, how will America think about being friends with China? They will need China, just like they did in 2008, who bailed out America, partly the Chinese, by buying their debt and by launching their own huge stimulus package, \$450 billion. That helped to bail out the global system. And we'll have to do that again. China, too, has problems, as we've discussed, as I've mentioned. They have their own internal problems, economic problems. I think both sides will see it's in their interest to cooperate. But perhaps I'm just being over-optimistic.

#Pascal

I mean, I don't have any doubts that China sees the benefits of cooperating with the United States. I mean, everything they've been doing for the last 30, 40 years has been like a cooperation base. But the problem is that at the moment, the other side has been building up this China threat narrative so strongly, even before COVID, very much so. What if there's a crisis?

#Giles Chance

What do you think then? Do you think that will change the perceptions within Washington? If there is a major financial... I don't know how old you are. You're probably too young to remember what the 2008 crisis was like. We all thought that the Western world was finished. We really did. It was a major event. Lehman's went.

#Pascal

Lehman's went.

#Giles Chance

Bear Stearns went. AIG, massive rescue package. General Motors had to be bailed out. It was a huge thing. And a lot of people under 45, of course, they won't remember it because it was, what, 18 years ago now. I do remember how impactful that was and how people were scared for jobs and getting new jobs and so on.

#Pascal

In Washington, if that happens again?

#Giles Chance

How do you think that will change the perception of China?

#Pascal

I don't think it will change the perception. I mean, how would China actually—if we just assumed a perfect repeat—2008, perfect repeat, like a debt crisis, and of course all of those NINJA loans, and then banks going down and bad debt everywhere and everybody's scared. Oh my God, what if it is on my balance sheet and so on? And then the government stepping in. I mean, how would China even try to help the United States, even if they wanted to? How would they?

#Giles Chance

Well, last time they bought their debt and they launched their own massive... They bought bonds, which helped them—public debt. And also they launched their own massive internal stimulus program to try and boost the Chinese economy and therefore boost, through that, the world economy. And they made a huge effort to try and help China—the whole world economy—from crashing. And they always feel, after that, they felt at the time, Americans in the West didn't appreciate it. They would do something similar this time, I think. But they might be more commercial about it. They might say to the Americans, look, we can help you, we can buy this, we can lend you some money, we can inject liquidity into the system, which you can't, and we will keep the system afloat on these conditions. It might be a bit more commercial this time. But they have the financial and economic power to do that. They are, in fact, a larger economy than the U.S. in purchasing power terms.

#Pascal

Yes, yes. But a lot not. Of course, a lot of Chinese interests are bound in that thing, right, inside the United States. So, I mean, if the U.S. economy goes down, a lot of value, I mean, Chinese-held value, actually also goes down. So there's a lot of interest.

#Giles Chance

It's very much in their interest to keep the system, to keep the thing going. And that's why it's, you know, America—whatever happens to America, the dollar—the other point is the dollar is going to stay the world currency. There's a lot of talk about de-dollarization, but if you look at the numbers, if you look at SWIFT in Belgium, which processes almost all the international transactions, millions every day, something like 92% or 93% are done in dollars now, today. It's not going to change very much. The dollar is the global currency, and the dollar is made in America. So America is not going away. And I think the Chinese know that. So the next 50 years is China and America, and then everybody else. The question is, are China and America going to be enemies or friends? And I think that if there's a crisis in America, which I think there will be, it will change the American way that they look at China because they need help.

#Pascal

That would be a very positive reaction. Giles, you're making the case for a big economic crash—to look forward to it in order to avert the warfare that might be coming if there isn't one.

#Giles Chance

Well, I may be wrong. What do you think, Pascal Lottaz?

#Pascal

I would hope that if there is an economic downturn, that actually could lead to a better relationship. But that is just something that friends of mine call my morbid optimism.

#Giles Chance

No, I think that's where we are. I have a great friend who's older than I, worked for Morgan Stanley all his life, a senior investment banker who's about 85, lives in New York. And we used to talk two or three times a week about America and China until the trade dispute last year in September or October, when China pulled out the rare earths card and basically stumped the Americans. And Trump—well, with a big T and a small t. I didn't mean a pun, but it has been.

But I think that—I said to him at the time—the fact that the Chinese have pulled out the rare earths card. Americans' F-35 fighter uses about 900 pounds of rare earths. You can't build American fighters without rare earths, and China has almost all of them. So you have to do a deal. And look

how that's changed the relationship between America and China. Every now and again, you have to have some event like that which punches America on the nose and makes them realize that they've got to be reasonable and they're part of another world, and not just a Hollywood movie.

#Pascal

And it's an interconnected world. I just hope that sinks in. It's an interconnected world, and we need each other, so it doesn't make sense, again, to punch each other on the nose.

#Giles Chance

Well, I mean, if we have a huge crisis—I know we've been going for an hour now—you probably want to stop.

#Pascal

That one. And again, to ask you where people can find you, your books, and if you have a place where you also, between books, publish.

#Giles Chance

I don't have a place. I think you've got the name of my book. It's being published by Anthem Press. I'm still writing it. It will come out next year, 2027. The title, my name is Giles Chance, and it's *Technology, Geopolitics, and China's Global Impact: Technology, Geopolitics, and the New Multipolar Order.* And in it, I talk about the impact that China's made over the last 30, 40 years, but most importantly, where I think we are now and where I think we're going to go in the next 20 to 30 years, just like we've been discussing today.

#Pascal

We will, of course, do a shout-out about your book again once it's out. The other two books will be linked in the description box below. Thank you very much. Thank you so much for your time today, Giles.

#Giles Chance

I'm so honored to be on your show. As I said before, I think you're doing a fantastic job. We need these platforms like yours and others. I don't know about me, but a lot of other people bring on very interesting things. I learn a lot from them. And I don't read newspapers anymore, really. And I think a lot of people don't.

#Pascal

We have podcasts now, so I'm very glad we have this ability. Giles Chance, thank you so much for your time today.

#Giles Chance

Thank you. Bye bye.