Barry Pavel | Tensions Over Taiwan: The Issues Across the Region Explored

– Carly: Good evening, and welcome back, everybody. It's my great pleasure, our great pleasure, Lockdown University, to have Barry Pavel with us tonight. Welcome, Barry. Thank you so much for joining us. Barry and Carly will be discussing tensions over Taiwan, the issues across the region explored. So before I hand over, I'd just like to introduce Barry. Barry Pavel completed more than 11 years as senior vice president and director of the Scowcroft Centre for Strategy and Security at the Atlantic Council just this past Monday. Mr. Pavel was the founding director of the Scowcroft Centre and oversaw its substantial growth in areas including long-range planning and strategy, Asian security, technology and innovation, and operational military concepts. The Scowcroft Center's work has directly informed numerous US policies and strategies as well as those of allied governments on issues such as national security strategy and military posture. On Monday, August the 8th, Mr. Pavel will begin serving as the vice president and director of the National Security Research Division at the RAND Corporation. Prior to joining the Atlantic Council, he served as a special assistant to the president and senior director for defence policy and strategy on the National Security Council staff, serving both President George W. Bush and President Barack Obama. Before that, he served in various positions in the Office of the Under Secretary of Defence for Policy for 15 years as a career civil servant. Well, thank you, Barry. You certainly have had a very interesting career, and we look forward to hearing from you and from Carly tonight. Thank you very much for joining us.

– Barry Pavel: Thank you, it'll be my pleasure.

– Carly: So thank you, Barry. So as much as we can, we're going to try and unpack Taiwan for everybody in an hour. And for a country that unfortunately is not light on tensions and controversy, that's an awful lot to cover. And really, I thought we'd start with a little bit of an intro. Our audience, I'm sure, is familiar with Taiwan's contentious status, but may not have that much of an understanding of kind of the basics. So maybe you can just start with a little bit of, we know Taiwan's in East Asia, but what else do we need to know?

– Pavel: Sure, and thank you again for hosting me. And just a caveat, I'm not a deep Taiwan expert, but I am a defence and foreign policy expert, and so have learned about Taiwan in the course of my career. And so sort of just the basics, it's an island nation that was established in 1949, the losing side of the Chinese Civil War that raged for many years. The losing side, the Kuomintang, fled China. And the communist side of the Civil War obviously remained on the mainland. And both sides have stuck with that for years. There have been a series of crises, but none have structurally changed the basic

status quo. Taiwan, this island nation, is, various points, 75 to 100 miles from China's coast. It's also close to Japan, in particular, some southwestern Japanese islands to its south. It's close to the Philippines, and southwest, a little further, Vietnam. Initially, it was an authoritarian country and then began a democratic, in some ways, revolution and had their first full democratic election in 1996. And since then, a thriving, very vibrant democracy. It's also the 18th largest economy in the world by one measure. And as you've no doubt heard, semiconductors, it's a superpower. And so I think those are the basics. It's 23 million people. I've been there three times. There are also some very complex diplomatic statements that have led to the current situation that if, for some reason, Carly, that's useful, I'm happy to cover some of the basics of those too, things like the One China policy, the Taiwan Relations Act, and the Six Assurances.

– Carly: Sure, so now that we kind of understand Taiwan 101, a lot of the tensions basically are taken back to late 1940s, early 1950s. Before we focus on the current situation, which is being described as the Fourth Crisis for Taiwan, let's reflect on a little bit on some of those previous diplomatic incidents and some of the diplomatic statements that you've just touched on to help people understand a little bit of the context.

– Pavel: Sure, I think I won't go into some of the previous crises too much. There was a Chinese shelling of some islands, Quemoy and Matsu. There was a crisis in the Clinton administration, where China launched some ballistic missiles. And the Clinton administration in the US then sailed two aircraft carriers through the Taiwan Strait. And now we're living through a pretty serious crisis, which I've been engaged in in great detail. I was in Taiwan with two former diplomats, sorry, two former officials, US Former Secretary of Defence Mark Esper, Italian Former Ambassador to NATO, Stefano Stefanini. The three of us were in a diplomatic bubble in Taiwan, July 18th to 22nd, had some amazing meetings, including with the president there, but I can cover that a little bit later. In terms of the history of the diplomacy, the US, when under the Nixon administration, the outreach to the People's Republic of China, the mainland communist Chinese, the US agreed under the One China policy that it would recognise the PRC as the sole legal government of China. China, in that agreement, wanted to assert sovereignty also over Taiwan. The US never recognised that assertion. Instead, the diplomatic language used was that the US acknowledges the Chinese position, but does not agree to that position, and so since then, has had unofficial relations with Taiwan. And we've done that, so the same year when such relations were established in the Carter administration, 1979, the Congress went forward with the Taiwan Relations Act. And that act helped to establish US security and commercial interests with Taiwan. And so instead of having an official embassy, there is a private organisation called TECRO, the Taipei Economic and Cultural Representative Office. I've been dealing with them for years. That's here in Washington. And then in Taipei, the US

establishes not an embassy, but the American Institute in Taiwan, I think it's called, AIT. And there's some really important statements in this act that relate to today's situation that a lot of people forget. In the Taiwan Relations Act, the Congress said that the US decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by a peaceful means, and that if not, the US would consider any hostile action with grave concern, and that term grave concern is a really serious term in diplomatic language, which means that there would be significant, basically significant military activity. It's not automatic, but that it would be a very, taken with the utmost seriousness. The other piece of all this, if I haven't confused you enough, is in 1982, there was a US/China statement that was called the Six Assurances that essentially kept things as they were, that the US wouldn't stray from these initial statements and agreements. And then President Reagan added a classified memorandum that has since been declassified that said, yes, the US would continue to do arm sales to Taiwan, and there would be no specific end date, and a few other pieces, but I think the first two, the One China policy and the Taiwan Relations Act, are the main ones. And I'm someone who thinks that it's really time to update that policy. The geopolitical circumstances have changed very significantly, and I think it would be a very healthy national and international conversation if we engaged in a debate about how and if we want to, if the One China policy still stands, and if not, how might we want to change it in close consultation with allies and partners?

– Carly: So you set me up nicely there for the followup. So I'm going to ask you to plant your flag, as it were, for this analogy, what would you recommend as the ways to consider altering the policy?

– Pavel: Well, I'm a bit modest about my thoughts on that. I've gone so far as to say I think we need a very healthy reassessment. And I say there's a, I have an op-ed coming out in Newsweek, actually, probably later today or tomorrow where I mention that at the end. I just think the circumstances are very different. China has, the new leader in China is different than all of the previous leaders. Previous leaders followed this policy that basically China will continue to build its national strength with a focus on economic development. Over the last three or four decades, 400 million Chinese have been lifted out of poverty. This is largely underwritten by the United States' enforcement of the rules-based order. Since the Chinese leader came to power, Xi Jinping, he's taken a different approach. He's no longer hiding his hand or biding his time. He has stated very clearly that he wants China to dominate the world by various dates, has been much more aggressive across a wide range of domains. We're seeing what China's doing this weekend. We're seeing what their buddies the Russians are doing in Ukraine. And I think we're in a different era of history that future historians will name. And so I think we need to take account of the basic tenets of the new era we're

in. And I think my own view is Taiwan is just such a thriving nation. They're an amazing democracy. They are amazing, resourceful, hardworking people. As I said, the economy is one of the world's leading economies. They are the largest producer of semiconductors, which are critical for our economy and the global economy. And I just think we want to move forward in a way that helps protect and cherish this really amazing democratic island nation, obviously, without provoking World War III and with some attention to some of the politics in Beijing, which I'm happy to talk about. But I think a reassessment in close consultation with Taiwan, with our democratic European allies, with our democratic Asian allies, and then obviously, we have to have conversations with China too.

- Carly: So there's a few pieces to follow up on there. The first one I want to start with is actually the semiconductors, because you hear a lot thrown around about the semiconductor industry in Taiwan, how essential it is for everything, not just economic opportunity, but actually kind of day-to-day functioning of the things we've all learned to rely on, but also national security interests. So let's just talk a little bit about the semiconductor space, who else is able to step in if something happens there, and what does it really mean if we do start to have a restriction on access to semiconductors?

- Pavel: Sure, well, we've already seen the restriction, I'll just start there. At the beginning of the pandemic, when everything locked down, you saw the price. And I'm not a semiconductor expert, and I'm not an economist, but you saw the price of and the supply of semiconductors very constrained. As someone who was in the, looking for a good used car since the pandemic started, I know the prices went up for me. And so chips are used in almost everything that we use, almost every major product that we buy, in washing machines, in automobiles, in obviously anything with sophisticated electronics, in iPhones, et cetera. And so in some ways, semiconductors are the new oil that drives the digital economy. And there's a brilliant company in Taiwan called TSMC. Speaker Pelosi met with the CEO of TSMC. He was also on Fareed Zakaria's show last Sunday, I saw. And we certainly engaged with people in that sector when I was in Taiwan the week of July 18th. And these are just the leading producers of semiconductors, of chips, of wafers. So Taiwan has 53% of the global foundry market for producing these things. I think the next closest company is Samsung, with a much smaller percentage. And now we are encouraging some of these companies to come produce in the United States. And so I think, for example, there is a commitment from TSMC to build a factory in Arizona. That's going to happen. I think Samsung, from memory, I think has another commitment to do the same in Texas. So there is a lot of activity to diversify production of these really critical drivers of the global economy. It's also worth mentioning that Taiwan sells a lot of these to China. And so China doesn't want to kill the, if China rained missiles, for example, on Taiwan and destroyed TSMC, it would really be shooting itself in the foot, if not something much

more valuable. So that's another factor that people recognise in this very complex web of interdependencies that we're discussing here.

- Carly: So before we kind of turn to some of the other current crises in the world and how they may be relevant, let's really talk a little bit about Nancy Pelosi's trip this week, what the preparations looked like, and why you've seen a lot of very opinionated op-eds on whether or not this was the worst idea in the world, the only way forwards. Everyone seems to have an opinion. It's a bit like all of these crises. People you don't think have ever been to Taiwan have discovered themselves as experts. But what's your assessment on the trip? And next we'll talk about China's posturing post the trip, but let's start with the trip itself.

- Pavel: Great question, great question. Yeah, I like to start in 1997 on this question, when the speaker of the House went to Taiwan during a broader Asia trip that included Beijing. And so Newt Gingrich went there. The Chinese foreign ministry response from the research that I've conducted this week was pretty muted. They sort of expressed curiosity or puzzlement, and that was it. And so to me, that precedent means that the Chinese government, among other factors and reasons, the Chinese government's hysterical and massive overreaction is more a sign of their own problems than of the realities that this was not the first time that a major, that the speaker of the House has gone to Taiwan. She didn't deploy any new weapons or cause any new military friction herself. She had meetings very similar to meetings that we had a couple of weeks ago. And so she met with President Tsai, who is really a brilliant interlocutor. She was greeted on the tarmac by the foreign minister who was the former deputy chief of mission, or maybe I should say the number two in the Taiwan office here in Washington. She had meetings with the parliament, parliamentary leader. She had meetings with civil society to discuss human rights. And she had meetings with the private sector, as I mentioned, TSMC, and might have had other meetings too during her short time on the ground in Taipei. And then she went on to Korea, and I think now she's heading to Japan.

- Carly: And how essential do you think it was for her to include Taiwan on this tour, and do you think the rewards outweighed the risks?

- Pavel: Sure, and so it wasn't essential, but I think, especially once it came out that she was going, I think it would've been extremely dangerous to not go, in other words, and here, I want to talk about Ukraine a little bit. There's been some actions not taken by the United States and NATO allies and Ukraine out of fear of escalation. And when you're dealing with dictators like Vladimir Putin and Xi Jinping, and that's what they are, when you self-deter from taking actions that otherwise might be considered reasonable in military crises, then that emboldens them to take further aggressive actions. And so if, after Chinese threats, the speaker of the House

did not land a plane, her plane didn't land in Taipei, and she didn't have meetings, which I don't consider provocative, China would've been much more emboldened to issue additional deterrent threats about other things the US is doing. I think their coercive activities would've ramped up, and that might've caused a much more significant crisis. I don't think, when you're dealing with bullies, encouraging them to bully is not the best approach. Now, there's reasonable positions on the other side, but I actually think, especially in light of Ukraine, that we're entering a very dangerous period here anyway, for various reasons that I'm happy to talk about. It's a geopolitical moment. And I think the speaker had every right, and Taiwan had every right to welcome the speaker, have meetings, and she showed support for Taiwan, talked about the importance of continuing to integrate Taiwan and work with them and support their democracy and support them militarily, which is entirely consistent with the One China policy and the Taiwan Relations Act. So that's my take.

– Carly: And now let's look at China's response, both the noises it made in advance of her arrival, and then in the last few hours, China began military drills, designed, people are saying, as a bit of a trial run to demonstrate how they would cut off the island. And actually, five of the missiles they used landed in the Japanese waters. So what does their response look like? Was it anticipated, or is this a more significant reaction?

– Pavel: I think it's more significant. My sense is it might have been anticipated. Let's go back, so over the last three years, as I said, Xi Jinping is a much more aggressive leader than the previous Chinese leaders and I mean, I think, period. And so in addition to unleashing a verbal torrent from his diplomats all over the world, they call them wolf warrior diplomats, and in addition to using coercive tactics against other countries, for example, when the Republic of Korea and the United States deployed one missile defence unit in South Korea to deal with North Korea's growing nuclear ballistic missile arsenal, what did China do to express its displeasure about the deployment of, again, a defensive unit in South Korea? They cut off tourism to South Korea, they closed down South Korean department stores, and took a few other coercive, and called in the ambassador, et cetera, et cetera. So China's very good at expressing its displeasure for things that it doesn't like other countries doing. And they're kind of outlandish, in my view. And so already in, so over the last few years, the Chinese military has been, almost weekly, sometimes daily, flying a couple dozen or a dozen combat aircraft into Taiwan's ADIZ, their air defence identification zone. This often causes Taiwanese pilots to scramble, intercept them, and escort them out. This has caused a lot of wear and tear, in some cases, accidents. I think a pilot has been injured, pilots have been killed. This is really just, to me, unconscionable. And I advised, I'm happy to say publicly that I advised the Taiwanese defence ministry to start to impose costs on China in careful ways for doing this. They should not be allowed to continue this practise,

which, in any other country, would be met with a more effective type of response. Again, I'm not suggesting escalating into a military crisis, but there are probably some smart ways that Taiwan could respond that would be hard for China to escalate in response to. So that's just important context, that these coercive activities have been going on for quite a while. And then when Pelosi's trip was announced, China, the Chinese foreign ministry issued a lot of really sharp statements saying that they would not sit idly by, that if you're playing with fire, you're going to get yourself burnt with fire, et cetera, et cetera. And so sure enough, the speaker's plane landed. There was, by the way, a lot of histrionics about, is China going to intercept the speaker's plane? There is, and I was quoted, and I'll just repeat it, there was zero chance that they would risk any damage or shooting down the speaker's plane. This would be equivalent to taking out the leadership of the United States, which would become, indeed, the most significant crisis probably since the Cuban Missile Crisis. So I always thought that was hysterical. They were never going to do that, but now they are doing, so they have done a few things. They've done some cyber attacks. This is minor. It was hard to get on the Taiwanese government website for a little bit. These are DDoS attacks that aren't that significant. China has been engaging in disinformation operations in Taiwan for a long time, for years. Whenever they see a chance to do so, they try to stir the pot. By the way, they've been much more active in the United States than most people realise. They have been active in influencing our elections. Russia gets all the headlines, but if some, if you want to do a Google search on Chinese election meddling, that has happened in the United States. And so they like to try to weaken democracies around the world because they want their version of how to organise society, basically a mafia state, a dictatorship. They want that to be the dominant form of governance across the world. So if we let China get its way worldwide, that's the world we're going to get. So a lot of disinformation. They cut off economic ties. I think immediately they said Taiwan can no longer sell fruit, certain fruit. And then they cut off the export to Taiwan of dry sand, which is used in construction in Taiwan. So there have been some of the economic cutoffs. And then they have also done, announced a military exercise for today through Sunday. And at the very beginning of the military exercise, as soon as Speaker Pelosi's plane left Taiwanese airspace, basically, they've launched, and there's different counts. The Chinese say they've launched 16 ballistic missiles. South of Taiwan, and as was mentioned earlier, the Japanese have said that, I think, six of these missiles, five of these missiles landed in their exclusive economic zone, which really was not smart on China's part. Maybe they did it deliberately, maybe not. My guess is not. And I think, importantly, but let's check, we don't know yet, but did any of these ballistic missiles fly over Taiwan? That would've been a really unprecedented provocation that I certainly would be working with Taiwan and other allies to respond to in a careful way. I'm not saying military response, but I think there should be some sort of other

response if indeed a ballistic missile, a Chinese ballistic missile overflew the Taiwanese population, with the dangers that would bring. And so there are also significant military activities among Chinese air forces and naval forces, conducting drills around various parts of Taiwan, and that might continue until Sunday. So Taiwan has had to have some commercial aviation cancel some flights. I know Korean Air had to cancel some flights, other airlines. There's a port that's going to be disrupted, and so that will cause some economic disruptions. And then this might have been some useful practise for what Taiwan might eventually do when it decides, okay, now is the time, because Xi Jinping, in many of his speeches over the last five years roughly, has said, "We need to reunify Taiwan with the mainland, "and this is going to be so sooner rather than later." He's whipped up a lot of nationalist sentiment about this, and I think a lot of Chinese do want to bring this back into the motherland. And so the way that they're coercing Tibet, the way they've handled Hong Kong, which we can talk about, and that has, by the way, significant implications for the Taiwanese. They've seen what China agreeing with the UK and how to handle the Hong Kong domestic situation, and they have not lived up to their agreements. It's basically now part of communist China. It's really a shame for those of us who've been to Hong Kong. What a vibrant place that was, with its own identity, and that's been crushed. There is no more free press anymore, a few other things. And so the Taiwanese have seen that, and it's giving, it's emboldening them to not be brought back into the Chinese orbit, shall we say. And so maybe that's enough of an answer, Carly.

– Carly: So I was actually going to bring up Hong Kong to ask what are the lessons that both Taiwan and the world can learn from that experience? As a Brit, we certainly looked on in horror at what happened and the sides of the deals that weren't stuck to. And the British government then had to issue opportunities for those from Hong Kong to come to the UK as basically a get-out. So what are the lessons that both Taiwan and the world can learn?

– Pavel: Yeah, and so just to make it really summary form, the basic agreement, as I understand it, in terms of the handover of Hong Kong to the People's Republic of China by the UK was one country, two systems. So it'll be considered part of the People's Republic of China, but the system in Hong Kong, the way of life, the rule of law, all of that would be allowed to continue, just like we enjoy, or similar to the way we enjoy the basic freedoms here in our countries by the people on this Zoom call. Well, that hasn't happened. There's a new national security law, there's a new governor, I'm forgetting the formal title, of Hong Kong. China deployed security forces in a very kind of a relevant way that we in my business call a hybrid threat approach, a hybrid scenario. In other words, there were these big guys in sweatsuits that were deployed, no insignia, but they were clearly the security forces. The Hong Kong authorities arrested and imprisoned, who knows where they are now, thousands of journalists, of

democratic activists. Basically, the human rights situation in Hong Kong has gone from pretty good to extremely bad. And so it's really a shame that, as Carly mentioned, a lot of people fled Hong Kong. There's no longer a free press. There's no longer one country, two systems. It's one country, one system. So let's remember when countries sign agreements with dictatorships like China, like Russia, we saw Vladimir Putin sign an agreement to let the grain out of the Ukrainian port, and I think it was hours after the agreement was signed where they shelled Odesa, this amazing-

- Carly: Yeah, it was about 90 minutes later that they started the shelling.

- Pavel: Amazing, historic city. So let's remember, when we're talking about agreements with dictators, you might want to be careful, and you might want to, what did Reagan say, trust but verify. So it's really a tragedy. And this has caused the Taiwanese people to be even more vigorous in their democracy, in their economic prosperity, and in their activities to help to defend themselves if China decides to take over militarily.

- Carly: So not to sound overly simplistic, but it doesn't really sound though like Taiwan has a whole lot of options for itself to draw on. We've seen what's happened to Ukraine since February. And it's not like the problems there were perhaps unexpected on the day that they were invaded, but the ratcheting up in the months beforehand and the pleas of joining NATO, the pleas since to join NATO have fallen on somewhat deaf ears. So what is it that Taiwan could be doing to either defend itself better or kind of engage the world better in stepping up?

- Pavel: eah, so let me also just mention two things that are relevant and not always known in public, as somebody who worked in the Defence Department for 17 1/2 years. I will say that these are very, there are some similarities between these situations, but they are very different in terms of the level of activity and commitment by the United States Defence Department to help defend Taiwan. It is extremely different than that that had previously been focused on Ukraine. An enormous amount of activity is focused, investments in military capabilities, rotation of military forces around the area of Taiwan. This is the focus. This is the number one focus for the US Defence Department because China is the rising power, as various DOD officials have said recently. They're the pacing threat. They're the long-term challenge, even as Russia is invading a country right now, and happy to talk about that. The real north star for the Defence Department is dealing with preventing, helping to deter a Chinese invasion of Taiwan. So I can't, I cannot emphasise enough the amount of activity, resources, thinking, planning, exercising that goes on in our Defence Department to deal with this scenario, that's number one. Number two, I thought the Biden administration has been artful in

expressing its commitment. In other words, as China's activities have ratcheted up in terms of their aggressive statements, their aggressive activities, I think President Biden's kind of handled it well. Whenever he's been asked, he's said, "Oh, yeah. "I'm coming to help defend Taiwan if they're attacked." And then the staff says, "We're still staying with the One China policy." So I kind of consider this as an evolution of policy since previous administrations. And pointing toward what we talked about at the beginning, I think it's time for a reassessment. I don't know when that might happen, but I think that President Biden has done that three times, so it's not an accident. It wasn't a gaffe. It wasn't he was tired. No, this was obviously very, very deliberate. So what should Taiwan do? Are there lessons learned from the Ukraine conflict? So at the Atlanta Council and in other places, we've been writing about an ongoing revolution in military affairs, really enabled by information and communications technologies, which have gone so, evolved so quickly. And so the sort of bumper sticker that I think what we're seeing in Ukraine play out in real time. And as a military, sorry, as a defence planner, I've been marvelling at what the Ukrainians have been doing with some pretty inexpensive stuff, obviously, with a lot of help by the United States behind the scenes, in terms of the orchestration of its capabilities. But it's using what I call the anti-force, an asymmetric force that's not a lot of expensive ships, tanks, and aeroplanes. It is the anti-aircraft missiles, anti-tank, anti-missile capabilities, anti-ship capabilities, a lot of unmanned aerial vehicles orchestrating this, in some cases, launching these missiles, and then a lot of resilience by everyday citizens, by the military, by others in Ukraine. And so I think the lessons learned for Taiwan are we want to get some of this. We want to do what we call a porcupine strategy also, make ourselves very hard to digest, very hard to attack. If I'm advising Xi Jinping on how to attack Taiwan, eh, seeing images of missiles raining down on hospitals is probably not a great idea because you will then get the world united against you and economic sanctions much tougher because China's interdependent with most advanced global economies, but still not something you really want. And so there might be more subtle approaches that are not raining thousands of missiles down. So the classic scenario, if this is a good time to talk about it, Carly, is an amphibious invasion with a lot of ballistic missiles raining down on Taiwan. And so you launch ships across the straits, very, very difficult and complex military operation, by the way, not very often done successfully by even the world's most advanced militaries. I don't think China could pull it off any time soon very easily because it's so complex. Basically, you launch these ships with troops, they go ashore, they secure a port, and then through the port, you get the occupying troops, even as your aircraft are bombing various locations, your missiles are raining down, you're using cyber attacks, you're trying to unseat the government in Taipei and establish basically another Chinese, an occupying force that establishes a Chinese governance of some sort. I don't think that's the likeliest scenario myself. And so what we're

seeing in these exercises today is closer to what I think might be likely, the possibility of a blockade around various parts of the island, that would be considered an act of war. I think the United States would take various measures, as would others, Japanese, maybe Australians, maybe some Europeans, I'm just speculating here. But a blockade is a more likely scenario. And then the scenario I think is, if they're artful, is most likely is what I call a hybrid scenario. The way that Putin went into Crimea, deployed all these personnel. I mean, they didn't have uniforms. It paralysed NATO decision-making. What is going on here? It was nuanced. There was disinformation, there was cyber. And then by the time things were realised, Putin had already taken over Crimea. So I think creating some sort of narrative that China would then deploy some of these murky types of forces into Taipei, I think that's the way I would think that would be more likely, but again, it's speculation. So can Taiwan mount its own defences, hold off Chinese attack with its own forces, by being resilient, by building up supplies in case there's a blockade so that they're not starved to death? And if Taiwan does a lot of the right things over the next few years or however much time they have, can the US, can other allies come and contribute to their self-defense? I think that's really the key equation here that we're looking at.

- Carly: So I wanted to actually ask you specifically about the cyber threat from all this, because as you've touched on, and as we know, China is certainly not beyond using cyber as its number one weapon. And the nature of war has changed. So how much damage could China do by using cyber attacks to cripple Taiwan and not at any point have to launch troops in their direction?

- Pavel: Yeah, and so this is a really interesting question where we've never, even when Russia went into Ukraine, there wasn't this massive paralysing set of cyber attacks that you would've expected. Why was that? Why didn't that happen? Maybe in the shadows, there was some suppression of Russian capabilities that is not in the public. I don't know about that. I'm just raising that as a possibility. We haven't yet seen that kind of debilitating, massive cyber attack. We all do think it's possible. But then you're coming in, even if that was possible, and China decided to do that alone, then you're getting into a situation where, okay, a lot of starvation, you're coming into, the semiconductors stop getting produced, for example. You're going to create a lot of ill will and the possibility of a major insurgency as malnutrition and other things, unless they can turn the lights back on very quickly, which I'm not sure would be the case. And so I do think that's a factor. I'm not sure that it's, that it will be the factor, but it will be a factor. But I, again, curiosity, why did Russia use that tactic and just turn everything off in Ukraine as its forces were invading? And it wanted to take Kiev within days, but that didn't happen, so why not? And Russia and China are roughly equivalent offensive cyber powers. The best in the world, of course, is the US. So maybe that's a good way to frame that in response to your good

question.

- Carly: And in terms of Taiwanese diaspora around the world, how organised are they? Ukrainians around the world have done a decent job of mounting pressure, of raising the concerns in the countries they move to. There's a large population from Taiwan in California and elsewhere. How mobile and active are the Taiwanese diaspora?

- Pavel: It's a good question. I don't really know. I mean, I do think though that the images, this is the first war, the Ukraine war, the first really large scale war captured by cell phones and other videos. And so I think that has a major, that, to me, is something different. I think that does serve as a deterrent effect on Xi Jinping. And maybe let me just take this opportunity briefly to say my take on Xi Jinping is he is facing more problems now than he has ever faced in his 10 years as leader. And might that encourage him to take more risk than he otherwise would, but there's another factor. In November, the Communist Party will have its 20th party congress. They have that every five years. At this congress, he is expected to be anointed for a unprecedented third term and likely to be announced as president for life. He wants calm and stability before this. He wants to be seen as a steady hand and doesn't want to stimulate any potential rivals, not that there's many left because he's either jailed them or killed them based on a supposed anti-corruption drive. But the anti-corruption drive was really an anti-rival drive for Xi Jinping. So he wants calm and stability before this November conference. And so all of the kind of histrionics about, they're going to shoot down the aircraft of Speaker Pelosi, I never believed that because he doesn't want to get in a shooting war with the United States military before this congress. But he is facing a lot of problems domestically. The COVID is not going well in China with their policy. The economy is in recession. They said it was 0.4% growth last quarter. It most likely was -3% growth. This is the way they work. It's propaganda. He is destroying the technology sector in China because he's basically jealous of the CEOs and doesn't want them getting too much prominence, so in some ways, killing the goose that laid the golden egg, and other problems, corporate debt crisis, a banking crisis that's causing protests. So I just want to give you this full picture that is a double-edged sword. He's facing challenges, he wants calm, but he also may stoke nationalism to distract, to try to distract from these challenges and thereby engage in adventures like coercing Taiwan. But a lot of people I respect say he wouldn't do anything before March at the earliest, and that's when there's a leadership reshuffle, and he gets more of his people into key positions.

- Carly: So I know it's very hard to tell in China, but where do you think the population is on this? People said in the run-up to Putin invading Russia, sorry, the Russia invading Ukraine, were the population with him? This was going to be difficult for him to keep a grip on. Once the oligarch started to suffer, surely Putin would

receive pressure. We've seen that isn't having an effect. I know that accurate polling is not something that one can hope for in China, but do you think the national sentiments have been stoked enough that the population is in favour of acts of aggression, or do the domestic problems at home overwhelm that?

– Pavel: Well, let me just sort of start with two things. The domestic environments in China and Russia are different from what we are used to. They're different in terms of information, and they're different in terms of security. Vladimir Putin provides security guards to his potential rivals, not only to protect them, but so that he knows where they are and what they're doing and what they're talking about. Xi Jinping has purged, the numbers are astounding, I think millions of officials at local levels, at county levels, at provincial levels, and obviously in Beijing.

– Carly: And I mean we just have to look at Jack Ma to I know it's not just–

– Pavel: Jack Ma's a great example. And so imagine being, living in this environment for years and years and years where the information now is nonstop, that we need to retake Taiwan, a lot of disinformation, Taiwan's incompetent, and they're causing problems internationally, and they're going to invade us, all sorts of crazy stuff, and you're exposed to this 24/7, you start to take it with some reality. And so there is a nationalist sentiment to take Taiwan. I do not think that Chinese people see the situation the same way that we do. And so this is for historical reasons, this is for nationalist reasons, and this is for being subject to propaganda reasons, I think, at minimum. So I do think that's a factor, and that's why you're seeing in Russia, there's a lot of disbelief of the reality of the Ukrainian invasion. I mean, a lot of support or at least getting in line behind Vladimir Putin, that his version is the right version. So I don't pretend to understand how people might be digesting information in an environment that they've been subjected to for years and years and years, but there are still some who don't believe it, who don't think it's going well, who don't think that including in China that you should forcibly take Taiwan. But I think there's a large majority that are fine with it.

– Carly: So looking ahead, we knew that a potential flashpoint was this Pelosi visit. It has now happened. We've got four days of exercises to come. What are the things that we should watch out for to know if the situation is ratcheting up or as you say, in the run-up to the 20th anniversary in March, the Chinese are looking for calm?

– Pavel: Yeah, so I think that they're going to, by Sunday, they will have done their thing. I don't think it's a crisis yet myself, but the high level of activity will start to go down unless there's an accident, unless a missile goes astray and hits some part of Japan or

some part of Taiwan or a US vessel. We do have military capabilities in the area. And so I think this is going to spike and then go down. There should be some, I think, thinking on our side, the US allies, et cetera, how do we better prepare in light of this? How do we impose appropriate costs on China for doing this? But I'm not sure that's the Biden administration's approach. I think the Biden administration will try to make this go away and not impose costs. But I think the Taiwanese military, the US military will learn some lessons from what they're seeing here. What can China do, what can it not do very well, and then try to adjust in terms of the continued planning, strategizing, procurement of weapon systems and exercises on the US side and Japan and others. So my best guess is this is going to be a high level of headline grabbing over the next couple days, and then it's going to go down.

- Carly: So I want to be a bit sneaky and take advantage of your professional expertise to ask a broader NATO-related question. Obviously, we've seen the vote on the additions of Finland and Sweden to NATO being considered in the US. And I know that you mentioned you were travelling with the former Italian ambassador to NATO a few weeks ago. How important do you think it is for NATO to allow new countries in, and how much protection does that give those who are concerned about the Russian threat?

- Pavel: Sure, that's a good question and certainly plays to most of the time I've been spending over the last nine months. Trips aren't everything, but lots of discussions with officials in Washington. I went to Finland in November for discussions with the government there, and we also observed some military exercises. Went to Norway in early June and also got some good updates as well as some, I was in Brussels at NATO headquarters the day before Putin invaded Ukraine and wrote a column on the plane ride back that's in MarketWatch, if anybody wants to take a look at it, that kind of tried to look ahead at the era we're now in, not focused on the operational issues on the ground, but I try to keep it at the strategy level. I do think it's a huge net bonus for the NATO alliance, for the United States, for Sweden and Finland to come in. These are advanced militaries. They're small, but Finns are tough. There was a Finnish-Russian war where they fought Ukrainian-like. And they are very much a people's military country, a long border with Russia, gave the Soviet Union at the time a black eye, had to cede some territory, but I think they put into the Russian mind that you shouldn't mess with Finland. Swedes are also an advanced but small military, and so this is a huge bonus. They've already been contributing to NATO operations in Afghanistan and elsewhere. This will just draw them closer into NATO operational planning, NATO posture, et cetera. The US Senate voted 95 to 1 yesterday to admit them. There's a handful of additional countries among the NATO alliance who have yet to vote. I'm pretty confident that will happen. And then they will become official NATO members, numbers 31 and 32 in this alliance. Would've never happened, except for Putin's really

foolish invasion of Ukraine. But that did establish a much less secure environment in Europe, the first large-scale war in Europe since World War II, really. I mean, every day that goes by, I think it's important for us to remember, this is a hot war. Roughly 100 to 200 Ukrainians are being killed every single day by Russian forces. There is somewhat of a stable battlefield now in Eastern Ukraine, but I do worry. Putin likes frozen conflicts, but what if he kind of keeps it where it is and then rearms and then launches attacks another day? And the further west he pushes, the more dangerous it is, in my view, for us and the NATO alliance. And so I think it's something to really watch hard. I would be supplying Ukraine with more weapons of higher quality because it is in our selfish interests to keep the Russians as far east as possible. So I do worry enormously about the distraction of the world away from Ukraine because the headlines aren't as dramatic. But Putin clearly is the most risk-tolerant adversary we have faced in decades, for whatever reasons that is. I think he's extremely dangerous. They have modernised nuclear weapons, despite their terrible performance. Regarding ground forces in particular in Ukraine, they are an advanced nuclear military power that we need to really be careful and watchful about. I do worry a little bit about the Pentagon discounting Russia and focusing on the shiny advanced military that the Chinese have been investing in over three decades. I think we need to take them both seriously, and I think the urgency of dealing with both of them is not where it needs to be, and you'll see that in my Newsweek column coming out later today.

– Carly: Thank you, so we've touched on the Taiwan sort of short-term concerns and Nancy Pelosi's visit. Do you think, on a high level strategically, not just to kind of help the Taiwanese prepare better, but what could the US administration be doing over the next few years to signal to China and the world how seriously it takes Taiwan and its importance? Is that around economic sanctions? Is that around certain kind of infrastructure strengthening for Taiwan? What does a high-level positioning look like?

– Pavel: So we're seeing some good stuff come out because of the Ukraine. It's really interesting how the democratic world, how the European and North American and Asian democratic world have come together under the leadership of the United States, but coming together very well to deal, first of all, with Putin's invasion and the sanctions on various individuals and entities in Russia and other measures, strengthening military posture in Europe to defend NATO allies. And I've been intimately involved in a lot of that. But also, now I think you're seeing similar activity focused on Taiwan. There was a statement, I think, yesterday, which I was really pleased to see, where a number of these democracies, I think roughly eight from all three continents, issued a statement that said that they take peace and stability in the Taiwan Strait seriously. And there would be repercussions if military force were used, something to that effect. And I think it's, the more that that can happen, the more that the

democratic world can get together, because I do think the challenge posed by China is the really significant challenge to our way of life, to the way we live our daily lives, but also to our security. If we want more Chinese newspapers in hotel lobbies in Europe, then let's not do anything. If we want China to take over Taiwan, and it's not that big a deal, and it gives them another huge military base to push their power out, to pressure Japan, Japan might go nuclear, develop its own nuclear weapons, a much less secure Asia, and there goes the global economy. Insurance and shipping rates go sky high. So you see, I'm painting this picture because we are very comfortable with the status quo, but I think these other scenarios are very reasonable if we don't take careful, prudent measures now to bring the democratic world together to establish standards in technology areas, for example, that are not authoritarian standards, but they're democratic, in AI, in biotech, quantum computing, and a number of other things. So this is a full-fledged, multi-domain effort that I think the democratic world does need to come together and work together and develop approaches to deal with the military, but also the non-military challenges posed by the Chinese dictatorship, because they are being, they have clear goals, and they're expanding outward across continents, Latin America, Africa, South Asia, and elsewhere. And I think we need to be more aware of that and take reasonable measures, not alarmist, but to come together and make sure we're kind of ahead of the game and not playing catch-up.

- Carly: Barry, thank you for that totally fascinating hour and for letting me sneak in a few broader defense-related questions. I know Wendy was having some signal problems, so I'm going to see if she is able to pop back on. Yes, there we are.

- Wendy: Well, Barry, thank you very much. That was absolutely brilliant. Thank you so much for your insights into this very dangerous and volatile situation. It's very scary. We can only hope that China will restrain itself and allow this thriving democracy to prosper. I have to say, it is very daunting to think the possibility of what could be. So good luck for Monday, and we look forward to hearing from you again as future developments unfold. And to you, Carly, as always, thank you very much, and to Laura, to all our participants, and thank you very much for this evening.