

# Transcript — Redefining the US-China Relationship: George Friedman on Geopolitical Shifts in East Asia

**Christian Smith:** Hello, and welcome to this podcast from Geopolitical Futures. I'm your host, Christian Smith. 12 out of 10 is how President Trump described his meeting with China's Xi Jinping on Thursday. Possibly the two most powerful people on the planet met in the hope of reaching an accord over the future of trade between the two countries, and they appeared to come out with some form of deal. But questions still hang over what was actually agreed, what will happen next, and whether the two are actually destined for confrontation no matter what. So today on the podcast, I am joined by Geopolitical Futures chairman and founder George Friedman to discuss the meeting and how the current relationship between the US and China fits into George's forecast that he made on China in his book, the next 100 years. George, welcome. You're actually joining us from the Citadel Military College in South Carolina, where you're a keynote Christian Smith at an open source intelligence conference. So thanks for stepping away for us. Now look like some of our previous podcasts that we've done on Poland and Turkey. George, you've been revisiting your forecast from your book the next 100 years, which, which came out nearly 17 years ago. And topically this week, you've been looking at China again. I want to come to that in a moment, but first, let's look at the question of the hour, which is the meeting between Xi and Trump. I mean, considering all that Trump that. Well, considering all of Trump's trade war rhetoric and the actual trade war that he kicked off earlier this year, Trump seemed pretty happy with the meeting. And Chinese President Xi seemed okay. Is that your take?

**George Friedman:** Very much so. The Chinese need this deal. Their economy has been hurt very badly by the tariffs because their number one export partner was the United States. It's one quarter of the world's economy, and China depends on exports to maintain its economy because its domestic demand is limited. So he needed this deal. He introduced the cutoff of rare earths just before the meeting to tell the United States, you need us, too. And that was a very good way to end a discussion where the Chinese need our relationship, we need to redefine it, they're going to accept it, and we will talk. Unlike the Putin talks where Putin really could not afford to make an agreement because that would admit that he had lost the war. Xi doesn't have that limit. He has the ability to make a negotiation, and he must have that relationship with the United States. And the United States is interested in a less hostile relationship with China as well. So this one is more likely to succeed. Not certain to succeed than the Russian negotiations.

**Christian Smith:** That's really interesting, George. I mean, you mentioned the rare earths there. And of course, China. China came out with this enormous rare earths plan for regulation recently that they control about 90% of the production of rare earths at the moment. I mean, how much can. How much pressure can they exert on the US because of this?

**George Friedman:** Now, some it's. They produced a large amount of rare earths, but it's a large amount of rare earths being produced. We can find it elsewhere if it limits some things. But it's critical for the tech community to have those rare earths for various sources and for the US Military to have it. So Xi very reasonably found a point that could hurt. We had a point that could hurt them. There's a basis where both sides back it off. And this is how these negotiations, I think, will end. Always remember that something go wrong.

**Christian Smith:** Yeah, absolutely. And I think it's interesting comparing the kind of reporting out of the US with the reporting in China on this. Of course, the Chinese media are much more controlled, but they seem relatively muted. Or is it perhaps that they don't want to drive home that they're happy with this?

**George Friedman:** Well, they don't want to admit that they have a vulnerability. The Chinese government doesn't want that to be official. In the United States, you can't hide the fact that we have needs like rare earths. So the internal management of this doesn't soothe relationships with the United States. On the other hand, if this treaty, this agreement holds, it's a rational agreement, and frankly, the Chinese need this a bit more than we do, because their entire economy depends on the supply chain to the United States. In a large measure, the United States really needs those rare earths, although this will motivate the United States to develop all these rare earths. Remember, rare earths are not rare. They're very there, but they're difficult to mine and difficult to process. So one thing I think comes out of this is that the US Earth program will accelerate.

**Christian Smith:** Interesting. I mean, it was hard to miss. Just before the meeting with Xi, Trump announced, I think, on social media that he was going to restart nuclear testing for the U.S. i mean, in many respects, this is an economic relationship or confrontation between the US And China at the moment. But I mean, that. That is not an accidental timing of that. What did you take away from that?

**George Friedman:** I. The. The Russians. Putin has been frequently mentioning going atomic, at least with tactical nuclear weapons, which are smaller ones, but are still nuclear weapons. And he's been making gestures that if the United States continues this way or intervenes more greatly, he might resort to them. That was a message to Putin at the same time

that Putin, that Trump was going to be making a deal with Xi. Remember that the Chinese and the Russians have never been really close and they've even during the communist period fought battles with each other. Okay. So if the United States now reaches an understanding with China on this economic matter, which is the outstanding issue, along with not having a military confrontation, this is an interesting time for him to have mentioned to the Russians, hey, we had a nice talk with Xi. He really likes me. I really like you. Him we're going to start nuclear testing as a response to his statements. Now, will we start it? I don't know. But that was directed, I think, at Putin more than a g. That's interesting.

**Christian Smith:** Okay, so it wasn't directed at the Chinese. I mean, do you think that Trump and those around him still see or have ever seen China as a military threat in the same way that it might see Russia?

**George Friedman:** At the moment, it saw China as having a hostile military relationship with the United States in the sense that there was a potential of conflict that meant that the United States could no longer afford that heavy dependence on Chinese imports, because if a conflict happened, we'd be in trouble. This agreement, okay, is I think, in part conditional on the military talks that are going on now reaching some understanding of limiting our confrontation. I think the Chinese have an interest in this because they really don't trust the Russians. They never voted for the Ukraine invasion in the United Nations. They never sent troops. Yes, they sent weapons, but the Russians had to pay for them. So it's a sort of three way thing where the United States pulling closer to China and China pulling closer to the United States a little bit sent a signal to the Russians. And Xi was very aware, I'm sure, of this process. So the mentioning of the nuclear weapons I don't think frightened the Chinese. I don't think it really frightens the Russians because it's just tests if we do them. On the other hand, it said, you keep Putin, you keep threatening use of nuclear weapons. We got them too. And I don't think the Chinese were troubled by that.

**Christian Smith:** George, let's go back 17 years or so to when you were writing your book, the next 100 years, and you've been, again, like I said, having a look at what the forecast you made of several countries from that book. Let's have a look at China because you've been writing about this week for geopoliticalfutures.com I mean, back just before the financial crisis, when you were writing, China was the economic darling of the world. It had growth rates around 14, 15%. Just take us back to how it had managed this in the first place.

**George Friedman:** Well, it is called something like a dead cat bounce. You throw down a dead cat hard enough, he'll bounce. The Chinese had been wrecked under Mao economically.

The Chinese had not evolved economically at all. They had a capable population, particularly in the coastal region. And so what happened was they took the leashes off and they grew dramatically during that period. But they had the capability to do that always under Mao. They didn't. Now, under new regimes, they did. And it reached a fantastic 15% growth rate, which is coming back to some level of capability. It was that far down. On the other hand, it could not be possibly maintained at that rate. There were people thinking at that point that China was going to rapidly overtake the United States if it continued to grow at that rate, which was certainly true if it continued to grow at that rate. But from my point of view, it seemed obvious that given that it was dependent on exports to the United States and investment from the United States into China, okay. That there was a basic vulnerability in the Chinese economy, its relationship with the United States. Over time, it ran into a terrific financial crisis, the real estate crisis in China. Real estate is a prime form of savings, as it is many countries. Okay. But as the real estate market went down, cash was destroyed, if you will, and they had a terrific crisis. They reignited the economy for one year at 14% and now settled down to a growth of 5%, which is not a minor growth rate for any country, but still not the growth rate needed if it's going to reach the class of the United States. It's still well behind the United States, and of course, it is something like 69th in terms of per capita income. So it's still a very poor country divided between a very wealthy coastal region and a much poorer interior.

**Christian Smith:** Well, I mean, as you say 5%. I mean, that's a growth rate that most Western countries can't get at the moment. Here in the UK the Chancellor would bite your hand off to get 5% growth. What's the consequence of the decline in growth rate? I mean, it's not like China's economy is in decline, though, is it?

**George Friedman:** The Chinese economy is growing, but it's well behind in terms of per capita income of these countries. It is a very populous country. Okay? So they're in a situation that they have to grow rapidly. To keep the regions intact. So the majority of China is still rural, still relatively impoverished, better off than they used to be. Okay. Whereas the coastal region has reached levels of economic life not too far beneath the Western model. The problem of China that I predicted in that book was going to be regional. The coastal region was going to grow rapidly. The interior would not be growing at the same rate. So you have places like Xinjiang province where there's unrest. There's always some level of unrest in Tibet and so on. So it's a question for the Chinese that they were so far down they had to bounce dramatically. But given the size of the country, even this number two economy in the world doesn't mean that the internal system is number two in the world. It's far behind that.

**Christian Smith:** Enjoying the show? Take a moment to follow and rate us on your preferred podcast platform for video versions of the show and much, much more. Subscribe on YouTube [eopoliticalfuturesgpf](https://www.youtube.com/channel/UCeopoliticalfuturesgpf). That's [eopoliticalfuturesgpf](https://www.youtube.com/channel/UCeopoliticalfuturesgpf). And as always, you can find expert geopolitical analysis [analysis@geopoliticalfutures.com](mailto:analysis@geopoliticalfutures.com) and so in your book, you sort of forecast that what we might see in China are internal tensions, as you mentioned, their regional tensions, and perhaps crackdowns as a result of that or to stop that in the first place. I mean, talk us through what that looks like.

**George Friedman:** Well, when Mao Zedong took the Long March, very historically famous one, he went to the hinterlands, the rural areas, and raised a peasant army. He conducted a civil war with Chiang Kai Shek, pro American, defeated him. It were the peasants that created the victory. China's had many civil wars over the time. And there's always been a tension between the coastal region, which was relatively wealthy, even the early centuries, because of their trade with the rest of the world, such as it was, the interior was not in that condition. So there's always tension. And one of China's imperatives is not to let that tension emerge again. So as the economy declined, not so much declined. The growth rate declined. It was far less than they needed. They really needed to go further ahead, not merely to be number one in the world. That'd be nice, but that wasn't it. But they had to continue enriching the entire China. And that becomes difficult at 5%, because that 5% growth rate is concentrated to coast, not an interior. And therefore they have this internal problem and that leads to political problems and so on. And this is something that the Chinese could not withstand. Therefore, they really needed this deal with the United States, because they need to be able to sell goods in the United States. And the United States needed. They found something. The United States needed rare earths, and they cut a deal. I suspect this deal will be long lasting because we really don't want to bankrupt China. There's no value in that, and they don't want us to be very angry at them and so on. So I think the next question is, do we reach an accommodation on the military side? This will involve Taiwan, of course, but really, it is impossible for the United States to be incredibly dependent on a country with which it's had hostile military terms, because remember the Arab oil embargo, what that led to in the United States, a disaster in the 1970s. And so this is a redefinition of the way the world works. So one of the things that's happening is if the United States and China reach this conclusion and they build on it. Now, the Russians have two problems. One is the Ukraine. The other is the evolution of China. So I think from an American strategic point of view, this was beneficial. I think from the Chinese point of view, it was beneficial. So it was one of those trades where Xi didn't lose, Trump didn't lose, unlike the Ukraine war issue, where Putin loses if he makes a deal at this point. So it's a different sort of event still. We have to wait and see. But I think this is different.

**Christian Smith:** And just one more question about the book while we're there, George, as well. I mean, as you said, you sort of forecast that this growth couldn't continue. And you also said that the kind of China would then be facing, as I said, potential crackdowns and potential regional hostility. I mean, we've seen some of that already. I mean, do you think that there's more on the cards going forward, or do you think that if China can reach an accord with the US Continue its economic growth, things will be okay?

**George Friedman:** Well, something interesting happened in the last few weeks. We had reports that Xi had had a stroke or heart attack, even that he died. And this was widely spread on Chinese social media as well. Xi then emerged, and he fired and imprisoned the top nine generals in the Chinese military. Okay. It was a very strange week. And to have charged these people with both corruptions and resisting the Communist Party's directives, that was a very serious charge to place against these people. That might, to some extent, destabilized the military for a while. But it seems to me that there was some sort of internal struggle going on in China. Someone spread that story very widely globally about the stroke and the heart attack. Xi bounced back and fired a bunch of generals that he needed or thought he needed. So it seems to me possible that there was a serious internal battle and that it was in this context that Xi wanted to reach some sort of accommodation with the United States, solving some of his economic problems in the process, getting a gift from the United States in the sense of opening the doors some more with lower tariffs. And just before the meeting was held, said he'd cut off sales of these precious minerals to the United States. And so he looked like he'd forced the United States into this position, which I don't think Trump minded. This is an outside reading of it. It may have been very different, but it seemed to me that we wanted Xi to be happy. If he wanted to have a victory, let him have the victory. We'll get the tariffs down and we'll get the rare earths, and we'll go on from there. Now, what happens in China? That's another question.

**Christian Smith:** And back to the US For a moment as well. I mean, you said before, George, you know, you should watch what Trump does rather than necessarily what he says, because sometimes he seems to talk all over the place, frankly. I mean, in that respect, obviously, what he said for a very long time is that China is screwing the US in many respects and that the whole balance of things need to be changed and that China is the great enemy or the great rival, rather. I mean, do you think, what would this look like in the perfect world for the US what would the future relationship look like?

**George Friedman:** It would look like a place where the United States could get inexpensive goods crafted to the United States, where the military challenge is no longer a basic issue, where there's no chance of the Chinese cutting these off. And as to him saying various things,

he's a politician. He just loves saying these things, unlike other politicians who say random things or untrue things with a sense of dishonor, perhaps, but he enjoys it. So that's a trivial thing. All leaders bluff, believe that.

**Christian Smith:** And do you think that he's going to get it? Do you think the US Will get this relationship?

**George Friedman:** Well, this is a step, a major step forward. Him lowering the tariffs, Xi moving away from the rare earths. Xi having some sort of political crisis inside China, I think, and also having very severe problems in the regions in the. He gets something. There is no fundamental issue between the United States and China. Interestingly, the Chinese. We demanded the Chinese stop their aggressive moves around Taiwan. They have not surrounded Taiwan for quite a while. They used to put blockades on it. Chinese military exercises have been limited to some extent. So there's certain signs that the conversations along the military lines are having some value. I think at this point, China needs this deal somewhat more than the Americans do, but the Americans need it, too. And of course, it changes the dynamic of the great powers if the US And China go together. China has no love for the Russians, never did. The United States has no love at this moment for the Russians. China and the US Reaching agreements is going to resound in the Kremlin.

**Christian Smith:** Look, George, we're sort of reverse following Trump's trip around Asia at the moment. Let's look at Japan before we go. Japan and the U.S. i mean, Donald Trump, he was there earlier this year, earlier this week. You forecast in the next 100 years that sort of like Turkey and like Poland, you thought that Japan would emerge as a major regional power in the 2020s. I mean, is that what you're seeing with Japan as well?

**George Friedman:** Well, Japan has dramatically increased its defense budget. Remember that after World War II, Japan became a very pacifist nation, wanting to abjure any hostility. That policy was changed. It was made very clear that Japan has interests, interests in common with the United States. The United States expects it to carry out these interests, and they raise it with much less reluctance than the Europeans did on the same subject. So, yes, Japan is a very economically powerful now, increasingly militarily powerful, and it has historic bad relations with China from World War II. So the Chinese are seeing the Japanese rearming, but not yet rearmed at the behest of the United States. So that's another angle of this. But, yes, Japan is given its economic capabilities, its various technologies and so forth. It has every ability to become a major power, military power. And I will say also that now there are two ends to this alignment. It is not just Japan, but also Australia. That is the two critical points.

And the Japanese and the Australians are having lots of conversations with each other. The Australians at the southern end of China, them at the northern end. So a different event is evolving in the western Pacific, and it's a very important one. And this is part. This economic discussion is part of that. So one of the things we have in cards is perhaps persuading the Japanese not to arm so quickly, which the Chinese would like. So the Japanese doing this is part of this picture. And the Chinese think this is an American move, which to some extent it is, and they might want to have them tone down a bit, for which they'll pay another price. These are how Negotiations work when they're successful. The Chinese really don't want the Japanese to do this. We don't really need Japanese to do this. If the Chinese stop threatening various places, there is a means of accommodation where neither side is humiliated. That's different in the Russian American negotiation.

**Christian Smith:** And look, I mean, as you say, the relationship between Japan and China goes back a long way and is well known. Can a powerful China and Japan live alongside each other? A military powerful Japan?

**George Friedman:** A military powerful Japan creates a problem because Japan is a country without natural resources. It has no domestic oil supply, it's very low on minerals. It generally imports these things from other countries like Indonesia and so on. That started World War II when the United States started interfering with that line of supply to Japan. Japan necessarily has to have economic relationships for basically raw material with the rest of Asia. China, on the other hand, is growing very rapidly in terms of technological exports. So some accommodation can be reached between them. But there is a tension between them not based on necessarily the past only, but on the way that Japan has to operate in the Pacific, you know, having access to these fuels. And that could lead to some sort of power accommodation between these countries. So it's always going to be a touchy situation. Everywhere in the world, one solution leads to the next problem. But I think the Japanese decision to increase its power has sobered the Chinese somewhat. And there are many of these things playing into this. It's not just a one way thing or one issue thing. It's general dynamic.

**Christian Smith:** And I mean, the US and Japan have obviously been effectively allied since the end of the Second World War. I mean, it's interesting, South Korea in, in much a similar way, they're key players in this relationship with China now. But do you think Japan is kind of happy with the role it's playing in terms of the balancing act? I mean, in some ways you're saying that they are a negotiating chip that the US or the wider Western community can use. Do you think they're okay with that position?

**George Friedman:** Interestingly, when you look at the polls from Japan and there are plenty, there's lots of support for this. Japan has lived the past 80 years as sort of shameful position of being a strong economy, but being powerless. With China having emerged dramatically and the United States wanted to cut its presence around the world in the Eastern Hemisphere, concentrated Western hemisphere, Japan must itself get stronger. And they're doing that. And even though for this moment it benefits the United States as well, Japanese armament is necessary for Japan at this point just to keep the balance to some extent with China.

**Christian Smith:** As you've written before, George, it's one of the key rules of geopolitics. Being economically rich and militarily poor is not the best idea.

**George Friedman:** It's the worst you could have.

**Christian Smith:** Well, look, I think on that note, it's probably worth saying that we should probably, after this discussion, have a, have a podcast on Orcas and perhaps the Quad when speaking of Australia and and Japan at some point in the future. That would be great. But look, George, we will let you get back to your conference. Thank you so much for the time on the podcast today. Good to speak to you as always. Thank you out there, of course, for listening and watching, subscribe to the channel, go to [geopoliticalfutures.com](http://geopoliticalfutures.com) and we'll see you again very soon.

**George Friedman:** Thank you.

**Christian Smith:** Talking Geopolitics is brought to you by.

**George Friedman:** Geopolitical Futures, your source for geopolitical forecasting and analysis.