BOOKSHELF

Eastern Approaches

Hank Paulson uses careful language that will not bother the Chinese censors unduly when they prepare the mainland edition of this book.

By JEFFREY WASSERSTROM
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Over the past 20 years, China has surged upward in the geopolitical hierarchy and in 2010 claimed the spot as the world’s second largest economy. American anxiety over how to respond has soared in recent years, and Henry M. Paulson, the former Goldman Sachs CEO and U.S. Treasury secretary, had a front-row seat at the drama. In “Dealing With China: An Insider Unmasks the New Economic Superpower,” he offers advice to Washington and Wall Street.

The book is divided into three sections: “Banking on Reform” (about working with China while at Goldman); “Breaking New Ground” (on his Treasury years); and “Building Bridges” (on his time running the Paulson Institute, the think tank he likes to call a “think and do” tank, being a practically minded guy). He’s full of observations and anecdotes about negotiating deals with China’s power elite—from Jiang Zemin, the immediate successor to Deng Xiaoping (1904-97), to the current paramount leader, Xi Jinping. Mr. Paulson refers to both as “old friends.”

The author stakes out a position that might be characterized as engagement without illusions. We would be naive, he says, to assume that the Chinese political system will become just like ours or that Beijing will accept all aspects of the current global system, which for well over a half-century has been one in which America has played the leading role. But we should equally guard against...
demonizing China’s leaders as intent on world domination. We should, rather, think of them, Mr. Paulson writes, as pragmatic men striving to keep their own organization on top domestically, to return their country to pre-eminence regionally and to gain a seat at the table globally.

Mr. Paulson is not the first well-connected Henry to write a book of this sort. Henry Kissinger got there first with “On China” (2011), which similarly argued for a tough-minded form of engagement. The Chinese Communist Party remains a highly secretive organization, and both Henrys have had experiences that can inform our understanding of it. Mr. Kissinger had even more interactions with Chinese leaders to draw upon, but Mr. Paulson’s book is the more satisfying, primarily because more is given over to detailed accounts of major players and to sketches of back-room talks in which the author was directly involved.

While Mr. Kissinger steered clear of the misleading notion that a rising middle class, globalization or some other force magically makes all countries the same, he fell prey in “On China” to the opposite sort of problem: treating the country as marked forever by a set of traits embedded deeply in what some call its “cultural DNA”—a terrible analogy. Mr. Paulson, by contrast, appreciates but does not overstate China’s uniqueness. He rightly comments on distinctive things about China, such as the way Confucian values shape its culture and the large role that state-owned enterprises play in development strategies with capitalist aspects. Yet he also notes, for instance, similarities between China and the U.S. when America itself was a fast-rising economy. He writes of China’s current fascination with rags-to-riches stories that bring to mind tales from America’s Gilded Age.

On the fraught question of Chinese civil society, however, Mr. Paulson is too soft on his “old friends,” including the man now in power, Xi Jinping. True, he chides Chinese leaders for such things as restricting free speech and trying to control tightly the “great public square of our time, the Internet.” The author views these moves as not just morally wrong but “ultimately self-defeating,” since limiting transparency and creativity will prove an obstacle to China’s economic growth.

But Mr. Paulson frames such criticism cautiously. To be more precise, the author carefully uses language that will not bother the Chinese censors unduly when they prepare the mainland edition of “Dealing With China.” In writing of the Tiananmen Square protests and crackdown of 1989, he says that he was “deeply disturbed by the imposition of martial law” and made “uneasy” by the government dealing “harshly” with those who “sought greater freedom.” But in
referring to the brutal June 4 denouement, he employs the anodyne term “incident” and gives no hint of a massacre in which Chinese troops killed hundreds.

DEALING WITH CHINA

By Henry M. Paulson Jr.

Twelve, 427 pages, $32

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While Mr. Paulson criticizes those who assume that development leads smoothly to multiparty elections, he can’t give up on the notion that economic
forces will compel China toward political liberalization. He recognizes that economic reform and political reform are different and that China's leaders have pursued the former but not the latter. But he occasionally slips into referring to "reform" as if it were one thing. Even a decade ago, one could still point to liberalizing trends in Chinese civil society. But since 2008 we have seen a dramatic slowing in this sort of "reform."

Under Xi Jinping freedom is constricting. Public-interest lawyers who use moderate methods to get the government to abide by its own rules and journalists doing investigative reporting have been hassled and harried more frequently since Mr. Xi took power in 2012—and recently five women's-rights activists were detained for engaging in non-confrontational actions that were considered acceptable to the state a year ago. (They were released.) The tightening control over China's civil society makes this, for me at least, a particularly difficult moment to share the seeming optimism of "Dealing With China." We may be seeing the worst chilling of civil liberties in China since the one that came in the immediate wake of the Tiananmen massacre, and in light of this Mr. Paulson's book can seem already in need of an update.

Also contributing to a sense of instant obsolescence is news that U.S. allies—Britain, Germany, France and Italy—might be eager to join Beijing in establishing a competitor to the IMF, despite Washington's dislike of this new financial institution, the Asian Infrastructure Investment Bank. It's a reminder that, while advice from experts like Mr. Paulson is always welcome, Washington's moves toward China may be of limited importance in shaping the way other countries respond to the risen power across the Pacific.

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