

Eric Li: ‘How do you block a country of 1.4bn people?’

The pro-Beijing venture capitalist on Trump, China’s rise — and Xi Jinping’s ‘little red app’

Gideon Rachman FEBRUARY 7 2020

Yu Zhi Lan is located in a modest house in a side-street in Shanghai’s former French Concession. There is no sign outside to tell you that you have arrived. Instead, as I step out of the car, a hostess in a pink tunic and wearing a headset is hovering on the pavement. She sweeps me across a small courtyard, up some stairs, along a corridor that is painted black and dimly lit, and into a room at the back marked VIP. A long table has been laid for two.

I have arrived early, so pass the time looking out at the back garden — where a ginger cat is doing some stretching exercises. Its portly figure makes me wonder if it has access to the kitchen bins.

If so, this is one lucky cat. The restaurant’s founder, Lan Guijun, is one of the most famous chefs in China — and has been described by the FT as the “new emperor of Chinese gastronomy”. So this seems like a good venue to discuss a man sometimes described as the new emperor of China itself — Xi Jinping, the country’s president.

The guest I am waiting for is Eric Li, a Shanghai-based venture capitalist and political commentator, who plays a very unusual role in the conversation between China and the west. While most official defences of China are written in wooden jargon, Li is a master of the cut-and-thrust of western debate. His TED talk defending China’s one-party state has had more than 3m views. He has appeared in western publications including the FT, Foreign Affairs and the New York Times (arguing in the last of these that the alternatives to the Tiananmen crackdown “would have been far worse” and that the “resulting stability ushered in a generation of growth and prosperity”). And his views seem to be evolving in an interesting direction. Lately, he has begun to sound like a Chinese version of Steve Bannon, denouncing “globalism” as a malign ideology that will erase national borders and cultural distinctions.

Li arrives bang on time at 12:30. Already laid on the table in front of us is a wooden tray containing exquisite-looking small appetisers, and another little dish on the side. Li has told me that this is one of his favourite restaurants and also warned that it will be expensive. As we settle down, he tells me that we will be eating a version of Sichuanese cuisine that is less hot and spicy than the original. “People in Shanghai couldn’t cope with what they eat down there. It would kill us.” He laughs loudly.

We are taking the set lunch menu which shows that, after the eight appetisers, there will be 11 courses to come. There are no prices on either the Chinese or the English version of the menu.

I decide to make a start and slurp down the “cold jelly with grape sauce and fried tortillas”. It is utterly delicious — a mixture of sweet and sour tastes, and smooth and crunchy textures. Li informs me we don’t have to eat all the appetisers, which I find slightly disappointing. Before they are whipped away, I make sure to try the restaurant’s signature dish — “golden silk noodles with cabbage heart.” The noodles are made of duck-egg yolks and take many hours to produce and roughly 30 seconds to devour. Once again, 10 out of 10.

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I tell my guest that I have to take a photo, to pass on to the FT’s cartoonist. Li puts on his glasses and confesses to being a little worried: “You made that Russian guy [Alisher Usmanov] look really terrible.” I respond that my wife has complained that the illustration of me in the FT makes me look like Chairman Mao. “That’s a compliment,” he says, and smiles broadly.

On the way to the restaurant, I had read reports of a mysterious new virus in Wuhan. It didn’t seem important enough to discuss over lunch in Shanghai, 800km away. But in the weeks since the coronavirus has become a global issue. Li describes it as “the medical equivalent of a natural disaster” when I email him later for his assessment of the situation. “State capacity and a collective culture are the two uniquely strong characteristics of China’s political system and social construct that will ultimately enable the country to successfully combat this crisis.”

I ask if he wants to order some wine. Li initially demurs, saying that he has a business meeting to go on to (“boring, end of year stuff”). But when I press ahead anyway, he orders us a select Riesling, the wine traditionally said to go best with Chinese food. Two glasses of Schloss Johannisberg 2016 from the Rheingau are produced.

Although he has not chosen the Chinese wine on the list, Li is intensely proud of his Shanghainese roots. He lives around the corner from the restaurant and his three children go to the same Shanghai public schools he attended. Now 51, he was brought up in the city by his grandmother while his parents, who were academics, stayed in Beijing. I ask why that was and he replies, cautiously: “It was during the Cultural Revolution, which was a chaotic time. So my mother thought it was a better idea for me to be with my grandparents here in Shanghai.” Like many intellectuals, his father was imprisoned for a time.

A transformative moment in Li’s life came when he moved to the US as an 18-year-old — studying first at Berkeley in California and then doing an MBA at Stanford. He stayed in America nine years, including a spell working on Ross Perot’s 1992 presidential campaign. He retains close links there, with a home in California and a place on the advisory board of the Stanford business school.

He has used the Californian model of venture-capital funding for his own firm, Chengwei Capital, which was founded in 1999 and now has about \$2bn in capital under management. I ask him to name an investment that worked out well and he mentions Youku, an internet-based television service, as well as a chain of Chinese budget hotels, Hanting, which Li says is “like Hampton Inn, but much much bigger”.

Both companies have floated on the New York Stock Exchange, so I ask Li if he is worried that the US-China trade tensions may damage his business model. He seems unconcerned, arguing that America will be hurting itself if it closes itself off — and that besides, there are many other places to raise money, such as Hong Kong and Shanghai itself.

I push further, pointing out that some of Donald Trump’s advisers seem determined to stop China’s rise in its tracks. Li briefly looks angry and says firmly: “Well that would be unfortunate. I think they wouldn’t succeed in that. How do you block a country of 1.4bn people — who work hard, who aspire to a better life? I mean that position is morally questionable. Are you saying that, for some reason, Chinese people permanently have to have a much lower income-per-capita than Americans? That’s just morally indefensible.”

The first of the main courses appears, perched on a jade plinth. I am momentarily confused, wondering whether there is more food concealed inside the crockery. But our dish is a delicate little thing. “It’s a caviar and shrimp parfait,” explains Li. Then he adds, with a laugh: “We’re living the corrupt Shanghai life — this is bad.” Ostentatious displays of wealth are out of fashion in Xi’s China. “I’m glad I’m not a politician,” says Li. “No government official could eat like this now. None.” He roars with laughter.

The remark is made just in time for the arrival of what is regarded as one of the ultimate luxury foods in China — abalone, a sea snail that is both super-expensive and (I later guiltily discover) endangered. It is a dark brown meat, strongly flavoured and slightly rubbery in texture. Although it is probably the most expensive single item on the menu, it is not my highlight.

Sipping slowly on his wine, Li compares the rise of modern China to that of other great powers, such as Greece, Rome, the British empire, imperial Japan and the US. “China’s rise so far has been bigger and faster than them all,” he says. “Yet not a single shot fired, not a single country invaded.” By contrast, the rise of others was accompanied by “incredible bloodshed, violent wars, colonisation, the subjugation of entire peoples, slavery, even genocide”.

This provides an opening to raise an obvious and sensitive issue — the Xi government’s imprisonment of more than 1m Uighur Muslims in “re-education” camps in the province of Xinjiang. The Chinese government reacts ferociously to any criticism of its policies towards the Uighurs, so I’m interested to see how Li will handle this topic.

## China's global power damps criticism of Uighur crackdown

"I don't know a lot of the details," he says. "I'm reading the papers, like you are." But, he continues, China faced a growing and threatening problem with domestic terrorism, and the camps are its attempt at a response. While they are a harsh solution "they're not Abu Ghraib", he says, in reference to the prison in Iraq where American troops were found to have tortured detainees. It strikes me that Li is an expert practitioner of "whataboutism", countering any criticism of China by pointing to a different sin committed by the west — though in this case I find the comparison unconvincing. In contrast to Abu Ghraib, he argues, the Xinjiang camps are "peaceful places, they are almost like schools. But if you ask me would I want to be there, of course, the answer is no . . . Whether or not this will be judged a success, only history can tell."

As we talk, we are sipping on a blood-red soup with sea cucumbers floating in it, which look a little like grenades. Emboldened by the wine, I ask my highly westernised guest what he really thinks of President Xi. He pauses and, with the air of a man taking a calculated risk, says: "I'm a Xi Jinping fan. I might as well put that on the table. I might as well come out of the closet."

I ask if he really spends his time studying "Xi Jinping Thought" and he assures me that he does. "I'm on the app," he says reaching for his phone, which has the "little red app" of Xi Jinping Thought installed on it. "Look, it's on the first page." He taps on the app, glances at it and then says: "Whoops, I didn't register today." Using the app regularly is seen as a sign of loyalty to President Xi.

Slightly needlingly, I ask him "what are the best bits" in Xi Jinping Thought. "Oh, there's so much to choose from," he says, "but I guess, for me, the stress on the environment." Li likens Xi to Teddy Roosevelt, the US president of the early 20th century noted for his emphasis on conservation, tackling corruption and national greatness. "If you think about it, China today is at a similar stage, domestically and economically, to Teddy Roosevelt's America . . . becoming a world power, but not quite out there yet."

## Year in a Word: Xi Thought

As Li tells it, when Xi took power, China desperately needed firm leadership to tackle corruption and inequality. Xi, he says, has provided that "charismatic" leadership. So, I ask, does that mean you didn't like Hu Jintao (Xi's predecessor)? The reply is emphatic: "No, no, no." He laughs manically, and splutters "I'll kill you" — before pretending to turn off my tape recorder.

Li is not only a fan of Xi but also, in certain respects, of Donald Trump. He argues that while Trump is wrong to blame China for America's problems, he is right to repudiate "the traditional American elites, the globalist elites". The American South was solid for Trump and Li says that he particularly

likes that part of the country because of its respect for history and tradition, and its sense that “there is a community that matters more than the individual”.

We are now on to a dish that I have never eaten — chicken feet. I find their texture slightly challenging and order another glass of Riesling to wash them down. Li is not even halfway through his first glass and I wonder whether this is to keep his mind clear for the meeting later, or to make sure that he remains careful in how he discusses political issues.

Even though I find many of his views alarming, I enjoy talking to Li, who is lively, well-read and intellectually agile. But I cannot help wondering if he can really be happy with the ever-narrowing scope for debate in China. He is a trustee of the China Institute at Fudan University in Shanghai. But, in a move that has appalled Chinese liberals, Fudan has just removed a commitment to “freedom of thought” from its statutes.

I ask Li about this and he gives a slightly chilling account of China’s new order. “For a period of several decades, the Chinese nation has been debating what kind of government and society they want . . . There are people who are liberals, who want to be a liberal country. I think that debate is over.” However, “there are still a lot of leftover liberal phrases, liberal thoughts in universities and other parts of the country. I think these things will be changed.” In any case, Americans are not in a position to lecture China on free speech. “They’re banning speakers everywhere,” he says. “At some of the top American universities . . . they cannot invite certain academics to speak. So what is academic freedom?”

I point out to Li that he is somebody who appears to relish debate and argument. Isn’t he going to be very bored in this new world? “Maybe I will be, maybe boredom is the price to pay.”

Li, however, may already be paying another price for the increasingly authoritarian tone of Xi’s China — and the rise in antagonism between China and the west. It could be making it more difficult for him to move easily between the two worlds in which he is so comfortable. Li has already experienced some pushback. In October, the FT reported that the London School of Economics had rejected an offer of funding from him for a new China Institute, after LSE academics had raised objections to Li’s involvement.

Li’s own version of the story is that he was approached by the LSE and asked if he wanted to be one of several sources of funding for a new institute. He says that he expressed interest, heard nothing for months — and then later heard that the project had been scrapped.

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