

# Emily de la Bruyere on China

[00:00:36] **Eric Lofgren:** I'm happy to be speaking with Emily de la Bruyere here at George Mason University. She's a co-founder of Horizon Advisory, a geopolitical consultancy, and a senior fellow at the foundation for defensive democracies. She's frequently cited on China and industrial matters, and she has brought some excellent voices together on these topics in a new publication called Force Distance Times.

Emily, thanks for joining me on Acquisition Talk.

[00:01:02] **Emily de la Bruyere:** Thank you so much for having me. It's a pleasure to be here.

[00:01:05] **Eric Lofgren:** Great. Let's jump right into it. It seems like the mainstream DC policy view on China has really become a lot more hawkish over the past decade.

What examples would you give to symbolize that shift? Or is that a correct characterization?

[00:01:18] **Emily de la Bruyere:** Oh, I think it's absolutely a correct characterization. There's been a stark change in sentiment regarding China over, Yeah, as you said over really the past decade. 10 years ago, the orthodoxy was still engagement at all costs and it was pretty fringer out there to talk about great power competition.

If I said competition with China, Maybe you would get South China C as a reference, but that was niche and fringe and that was really about all you got. And now, I mean it's widely accepted. It's both sides of the aisle. It's people in the security community outside of the security community who recognize what's been true for well over a decade, which is that we are locked in a competition with China.

I do think though, that there's a parallel and perhaps even bigger change happening right now, and it's not the question of is there a competition or is there not a competition? It's what is the contest? There's a growing recognition, probably a couple of years old in Washington that China competes differently than other countries have.

That China is turning the economic and the industrial domains into battle grounds. That it's not just about it being the competition. It's not just about militarizing the South China Sea or overseas basing or aircraft carriers. And with that recognition about China's economic and industrial warfare is, I think coming a parallel, larger sentiment shift in one regarding the US and industry and what matters and the reality.

if the US is going to be in a competition with an adversary in today's environment, it has to have an industrial base. And the wealth and power growth on paper that's happened over the past decades as the US has moved manufacturing elsewhere might actually undermine our ability to compete that we're not gonna be able to beat China.

What we were just talking about, if our jets rely on inputs from Beijing or if we're not gonna be able to compete for next generation technology if we can't build that here. So it's a little aside of the question, but I think there, there are two waves of sentiment change. The second one is like happening as we speak, and I think it's gonna be really interesting to see how they overlap.

[00:03:24] **Eric Lofgren:** Within the DC people that I've talked to, they're always like the common phrase I always hear is, China's not 10 feet tall. Like we shouldn't make them 10 feet tall. And it seems like the narrative also has shifted very recently, especially in the post covid years with okay, you got the lockdowns, the real estate bubble, the demographic challenges in China.

They were putting like Jack Ma and like was getting disappeared and this kind of stuff. And everyone's kind of, now it's popular to say we're reach peak China. It seems like the hype is kind of, as far as it can go. And now it's oh, if they're declining, are they even more dangerous?

Is that kind of fair? Is that kind of the state of what people are thinking and is that the right way to think about?

[00:04:01] **Emily de la Bruyere:** I think it's really dangerous to underestimate your enemy. I also think that it's worth noting, that a lot of the negative realities emerging in China are functions of Beijing asserting its control, and that's true whether it's covid, Lockdowns, the tech lash.

Anything else regarding tech transfer or consolidation. And that's not an accident in alar, in large part that's motivated by the Chinese government thinking it's able to do that. That this is an opportune moment, that it's strong enough that it can assert control. So I don't think we, I do not feel comfortable

mirror imaging the weaknesses in China's economy, what they would mean in ours, and then deciding from that Beijing is falling apart and weak and either to be worried about only because its collapse would affect the global system or not to be.

About at all. The flip side is that there are certainly as a function of today's environment realities and negative realities of doing business in China and exposure to China that are becoming evident. And that could prompt a kind of see change in how the private sector sees the country. That would be very good for the American competitive posture and for norms, markets more broadly.

[00:05:13] **Eric Lofgren:** So you're saying that we should still we shouldn't assume, like all these troubles with China are gonna be like something big or that will impact its kind of strategic ambitions, right? It seems like, they've had some of these things like the belt and road initiative.

Was that a capital misallocation? Like how long can they go on with these capital misallocations before something goes wrong Or are these not really capital mis allocations? Cuz we keep seeing these ghost cities. And it just signifies to me like, okay, they still have some of these elements of, central state planning.

Do you think that's like weighing down and is it going in the wrong direction? If the liberalization period is over you. What is that signal for them? .

[00:05:49] **Emily de la Bruyere:** I think that we have said over, we, the US community or international analytical community has said over and over, over the past decade or decade plus, China is being in inefficient in its allocation of resources.

This is something it can't afford. Look at these ghost cities. Look at the Belt and Road, and we've said that and we've said China's gonna fail. This isn't gonna work. And what's happened? China has gotten more powerful. And partly I think that's maybe misunderstanding what China's trying to accomplish.

It's also partly that the way Beijing deploys its industrial and its strategic posture, is that , it incentivizes companies, whether those are private sector or state owned, to invest a certain way and their non-market incentives because Beijing sees those investments as good for its overall strategy.

and that can produce a whole lot of duplication. It can produce redundancies. It absolutely produces inefficiencies. It's throwing paint at the wall and we are

inclined to look at the failures and say, That means this approach doesn't work. But there are a lot. The overall trend line is one of success because you know that paint is gonna hit the target to mix my metaphors.

Enough times yes, ones will miss, but what you really need to look at is, are things moving in a direction where China is getting positions in the international environment that it wants, and it seems to happen doing.

[00:07:03] **Eric Lofgren:** Yeah, And it also seems that they can just put out lots of , physical products, which actually really matters in the context of a military thing.

So that's the kind of most scary part of that.

[00:07:13] **Emily de la Bruyere:** Absolutely. And like they have huge industrial redundancy in terms of capacity that if we entered a conflict, that's huge. We don't have that. They also have secured massive leverage in our supply chains that gives them potentially coercive power. Also, in the case of a conflict or just.

Non-conflict, but competitive dynamics.

[00:07:31] **Eric Lofgren:** Yeah. I saw something, their shipyards are huge and they're taking a bunch of I guess of the capacity away from the Japans and the South Koreas. And it seems like and there's all these projections going on about what does that mean for their military force structure in terms of ships?

And they were saying it's only gonna be like the, these American analysts, of course. But they were saying, Oh, we expect 420 ships or something By the 2030s. relative to, , the mid 300 s today. And I was like, That just doesn't seem right. It seems if China wants to put out that many ships into the sea, like we can talk about capital misallocation, but they can just get ships out there.

[00:08:03] **Emily de la Bruyere:** . Yeah, exactly. And we can't necessarily .

[00:08:06] **Eric Lofgren:** And I wanna talk a little bit about potentially why, because I was actually watching this interesting documentary on like the, a Chinese factory city. It was a little bit dated, but one of the things that they were stressing there was that they were building all the components in like even like down to the raw stuff.

It was built on the same campus and it was all vertically integrated. Is that a common thing in China compared. The US you talked about financialization. We have these really expanded supply chains to minimize cost or whatever, but it seems like China's taken a different vertical integration route.

How would you characterize that?

[00:08:36] **Emily de la Bruyere:** I'm so glad you raised this. This is one of my favorite points. The short answer is yes, 100%. China's industrial policy, industrial structure, industrial investments, they absolutely hinge on vertical integration. Whether that's with industry parks like you just raised, or with conglomerates just actually being themselves vertically integrated or in terms of if you look at an investment vehicle's portfolios, you see it across the board.

This is really key to China's approach and it accomplishes a lot of things. If you look at Chinese discourse on developing indigenous production capacity and avoiding reliance on the rest of the, on the international system, that's where you see a lot of discussion about vertical integration.

Because if they have an entire value chain, then there aren't gonna be parts in it that depend on technologies or products from elsewhere. This also simplifies the process of technology acquisition or partnerships in a lot of ways, including through circumvention of existing regulatory regimes.

If you look at the US system we in this like very whack-a-mole way, ding certain Chinese actors as bad actors, putting them on the entity list or sanctioning them or what have you. If however, China has an industry park where you have all of the players that together are going to create a given system that industry park.

Can have a bad actor player, like a entity listed player and a non entity listed player, the non entity listed player, like they're all gonna be cooperating in the same value chain, but any one of the ones that's not ded by US regulations can go out and partner with whomever. So it creates this like many headed Chinese system that's able to integrate into the international system and then have robust, resilient industry at home.

And so overall it's, they're. Two, I think, important conclusions that we risk missing by not taking into account this vertical integration. One is relative strengths and weaknesses of the systems. As you hinted, China's optimizing for being able to compete with industry. We're optimizing for quarterly returns.

A vertically integrated system isn't necessarily going to make you the most money in the short term, but it is what lets you have your own industrial base and asymmetric leverage over another players. And the other beat is how we think about defensive measures. If we're gonna play a whack-a-mole game in terms of investment screening, tech export restrictions, then we also need to account for the reality that all of these players in China are working together in a whole industrial ecosystem.

[00:11:00] **Eric Lofgren:** The video was funny because this guy had a, like a production problem. He was like, We're missing this component. And then what did he do? He like got on a bicycle, it just went to the next building and it was just like looking through stuff and pulled out a bag. And I was just like, that was, that's very different than what I imagine a supply chain probably looks like in the us.

Absolutely.

[00:11:17] **Emily de la Bruyere:** And then when a supply chain problem hits, like we have to deal with people thousands of miles away and we might never get it. It's not the most advanced way. It's certainly not. Your normal business model tells you to do, but it's robust.

[00:11:28] **Eric Lofgren:** Yeah. It seems like you're paying potentially in some kind of, there might be some inefficiency notions, but you're like paying for that in terms of getting, reliability and resiliency in the ability again, to be able to dictate potentially supplier negotiations in some respects.

Exactly. You're starting to see, in, in the US like SpaceX and these types of new aerospace companies there, a lot of them are vertically integrating. I think there's also when something is mundane and it's been around a while, it seems like you get a lengthening, a roundabout of that capital.

Whereas like when something's new, it's of like integral to the build process. They bring it in house.

[00:12:02] **Emily de la Bruyere:** Yeah, that's a really good point. And I also wonder whether recent trends are just pushing generally in this direction and newer players are more flexible in their business models.

So have logistics snafus, have covid, like encourage players who are just stepping up to put their emphasis in new places or think about new business models.

[00:12:19] **Eric Lofgren:** The whole thing is pretty interesting. I think in term when you like bring it back to an industrial mobilization thing, right?

When we think about existential threats to the United States and our like way of life, I guess you could say pandemics or one of 'em. But you know, like you can go down the list of certain things, warfare is definitely one of them. The way our, systems are structured, one seems much more like tightly coupled and responsive to being able to scale up and just get physical things out that need to blow up.

Whereas the US system might not be, So how do you think about, this, if we need to go to war, let's just say there's a major war within a couple year timeframe, Like what does industrial mobilization look like in each of these countries .

[00:12:58] **Emily de la Bruyere:** Obviously I'm a total pessimist based on everything I've already said, but I think we're a lot weaker than we think in terms of industrial mobilization. The thing, the line you hear again and again is remember what the US did in World War ii? We turned on a dime. We were able to just go into a wartime productive mode.

And of course we can do that today. And the first question in this, I'm now gonna just hit on beats we've already talked about, but can we? There's been so much offshoring, there's been such a hollowing out of our industrial capacity. I'm not sure we have that general foundation that we can then scale up on, whereas China, as we already discussed, they have over capacity.

They have everything in place to just start pumping out more. And then the other B is just the asymmetric dependence. China has been investing very deliberately over recent decades to ensure that. It depends less on inputs from the US than the US depends on inputs from China. And if push comes to shove, we can't make very much and we can make I think, a lot less than we think without supply inputs from China, and that is gonna create a really difficult dynamic if we ever enter into a war with them. .

[00:14:12] **Eric Lofgren:** Yeah. There was just some consternation recently, the chief of naval operations was like, I don't think we can get to three destroyers a year. Or like somewhere between two and two and a half.

And it's just wow. We also saw recently that the F 35 halted deliveries for our time because they found out and it was discovered that there was some alloy way down that was creating a magnet in the supplier tiers.

How important is this? Is this like a big deal or do you think that, Oh, that's just like a small thing. They found it it's anomalous or what's your general take on it? Oh

[00:14:41] **Emily de la Bruyere:** I, that's a big deal. It's a big deal for I guess two reasons. One is a specific case. Yeah we can't have critical inputs, especially ones that are difficult to produce elsewhere in our military equipment that depend on China.

Pure and simple, China has a history of using industry chain dependencies. Coerce other states, like we know that they'll use this leverage if they have to and can. But the other beat is that's not anomalous and the lack of information on it isn't anomalous either. Value chains, including defense value chains today are convoluted.

There are major dependencies on China. There are a lot that aren't known, and this isn't just a problem of the F 35. It's a problem. Is pervasive across the US industrial base, therefore pervasive across the US defense industrial base, especially because of growing, dual use, crossover. And honestly there's probably more pervasive across like Allied and partnered inputs into our defense industrial base.

[00:15:36] **Eric Lofgren:** So we, we hear a ton of stuff like the by American and banning things like Huawei or buying stuff from dj I for the drones. But I actually hear like a lot of places are , they're still buying dj not just in the local like police forces, but also in certain military aspects.

How important are these things? Can we just ban it? Just just say, is it that easy? Oh we can't have that in the supply chain.

[00:15:58] **Emily de la Bruyere:** We should be able to, but the issue is that we don't have the alternatives in a lot of cases. That's one of the big, there are probably three big problems with Buy American and then with bands like that.

One is enforcement and just general supply chain transparency. The other is waiver. There are so many waivers. And the third thing is just limited scope. Like it's not just a military supplier issue, it's also a commercial supplier issue. And there's overlap. Under underlying all of these is the reality that we don't necessarily have alternatives to a lot of the products that we know we depend on China for.



And where we shouldn't depend on China and DJ is a great example. I don't remember offhand the percent of the value chain that's controlled by them, but it's 90 plus percent. I think don't

[00:16:42] **Eric Lofgren:** cite me on that one. You mean for their own drones or

[00:16:45] **Emily de la Bruyere:** for Yeah. For, yeah, like small commercial drones.

And that situation gets even worse as. Work your way up the value chain. Like what about I O T modules, not just Huawei, Chinese companies dominate in iot modules. What about when you look at all the way abbot, like the critical minerals going into these things? So how are we supposed to enforce these bands if we're not also investing in alternatives?

[00:17:09] **Eric Lofgren:** So let's just say, we had the chips act, right? It was like 52 billion. They claim this landmark, but I'm not really sure how big that really is in most people's view. Let's just say, let's just 10 exit. Let's say you have \$500 billion and you can strategically invest it yourself somewhere in the United States.

And you could put it to something like minerals and metals, that kind of stuff, or semiconductor manufacturing. What would you pick or would you pick something.

[00:17:32] **Emily de la Bruyere:** Minerals and metals. Every time. Easy. No question. How much does it matter if we have domestic capacity at the middle or the downstream of a value chain?

If all of that requires inputs from elsewhere, like I don't think that's industrial security. China doesn't think that's industrial security. There's this line that Xi Jinping sites frequently. It translates roughly to not being able to build on someone else's foundation. And that's used in like a supply chain context of they have to have capacity and build their way up the value chain cuz that's security.

Otherwise you're a shaky foundation. It belongs to somebody else. The rug can get pulled out from under you. And I think that's one of the big problems with the CHIPS act is that it's very downstream focus.

[00:18:17] **Eric Lofgren:** I think, at least in the Department of Defense, the way that, budget policy is like industrial policy, right?

It's like you just say, I need this many F 30 fives, and then the supply chain works itself out magically, right? Like the contractors put their proposals together. So it's like when you say the thing, I guess a lot of people would be like, focus on the outcome. And then, the rest of it will work its way out, back to the inputs rather than focus on the inputs.

Now I think you would probably push back on that.

[00:18:43] **Emily de la Bruyere:** Cuz the rest of the way it's gonna work itself the way it has, which is without domestic capacity. If we said we're only gonna give money to semiconductor production downstream, where all of the inputs are trust by made, by trusted players.

And we enforce that. Yeah, sure. Then the process would work itself out the right way. Otherwise, what we risk doing is giving a whole lot of money to companies that are making semiconductors with inputs that are from China and also that have massive footprints in China.

[00:19:13] **Eric Lofgren:** Does the US just have to, like, whenever they create some of these maybe like environmental or other types of regulatory things, do they also have to subsidize these companies if it's like a national strategic, like for these critical minerals, right?

It's you can, basically what they're gonna, you're saying is we have to subsidize 'em because it's too expensive to do it here. Now it doesn't, I'm not saying that the environmental thing is the reason. There could be other reasons, but Is that just like a, are we calling for a national subsidy and what's like the least harmful way to, to create a subsidy like that?

[00:19:42] **Emily de la Bruyere:** It's a combination of imposing costs on buying from adversarial players providing incentives to produce domestically. That doesn't have to be subsidies. It can be tax credits. Also, we can also produce among trusted players, like work with our allies where they have cost advantages on the environmental front.

It's so frustrating because we, a lot of the reason we don't produce upstream in the US is because of environmental regulations. But what that means is that we end up sourcing from China. It's dirtier . It's so much dirtier. Exactly. And it's just like we're just outsourcing or offshoring all of our environmental concerns.

That's insane. .

[00:20:20] **Eric Lofgren:** Yeah. I remember I was like traveling in Germany and I was just at a table, like a hostile table. And there was like a really young kid, basically, he must have been like 19. And he was like rallying thousands of people to go like protest, a nuclear power plant.

They're like, We need to take it offline. And I look back on that now I'm just like, I wonder if he knew he was being played and like now Germany's in a really terrible strategic place.

[00:20:43] **Emily de la Bruyere:** Exactly. A terrible strategic place and. Dirtier

[00:20:46] **Eric Lofgren:** energy. Yeah. You're getting, you're still getting the same, right?

Like the alternative wasn't there, but they were like prematurely shutting that. So there's the same thing going on in California, I guess with that nuclear power plant. Is your view like we gotta keep all energy production going for now and but still move towards, renewable energies at the same time?

[00:21:04] **Emily de la Bruyere:** Yes. And also move toward, if we're gonna move toward renewable energies, let's do so while having security in our. Renewable energy value chains. Let's not rely entirely on poly silicon from China for our solar panels or Chinese batteries for our electric vehicles. If we care about energy security, which, hey, we just had a huge wake up call.

We really should, let's do this in a way so that we're not only advancing, environmental agenda policies, but also security ones.

[00:21:31] **Eric Lofgren:** How about in the, I guess the more the social space. Why is TikTok still, not getting a heavier hand from Washington? Is this indicative of anything or what's going on with that?

[00:21:42] **Emily de la Bruyere:** it's moderately insane, right? Like the fact that TikTok exists, that information is going to Chinese players. Bite dance has all sorts of cooperative agreements with the Chinese government. I think it's probably partly. No one has the guts to do anything about it because there would be huge public backlash, which is precisely the problem.

And speaks to how ingrained this thing, which is a massive social insecurity threat, is in our system. I also think part of it is that there's a lack of clarity on what tools to use. Do you just ban the company and say it can't operate here? If so, how do you do that?

[00:22:18] **Eric Lofgren:** Is that what India did?

They didn't. They just put it like on a black list and it was just like that. That's that .

[00:22:24] **Emily de la Bruyere:** Can we do that? I think that, it shouldn't be that difficult, right? But it requires a certain amount of like creativity and resolve that.

[00:22:30] **Eric Lofgren:** Yeah, I love our American free system. So this is one of my questions too, because of like the whole idea of industrial policy for me, and I think a lot of economists It's like a naughty word, right?

Like we're almost saying. We know better than the market and we know how to even though we're not in charge, we're not responsible or have any of the incentives or outcomes, like we're gonna direct capital allocations. But there, there's some kind of like logical need for it as well in terms of national security and other reasons.

So how do you define industrial policy itself and when is it actually okay to be used?

[00:23:04] **Emily de la Bruyere:** It means different things in different systems I think that there's a gut reaction here to say, Okay, we're finally getting on board with industrial policy. Industrial policy means here, what it means in China, which is needless to say, very hands on.

And that's just not the case. That's not how the US system works. That's not gonna be successful here. What it really is or should be is the US government creating the regulatory environment such that the private sector is incentivized to invest in strategic industrial capacity, both at home and with trusted partners.

And then Disincentivized to rely on adversaries for that like it's government shaping a. Rule set incentive system for the private sector to do its thing and do its thing in the right way. And that's not, I don't think the US dolling out tens of billions of dollars to one specific industry and a couple specific nodes within that industry and saying, Okay, we did it.

We've solved it. How many years did the CHIPS act? Take a lot of questions as to whether it would pass, how many other, how many nodes in that industry did it not acknowledge? How many other industries matter? But what it could be just very broadly is some set of imposing costs for reliance where there

shouldn't be reliance, providing incentives, whether those are tax credits or other things.

Domestic production. And then when it comes to like government purchasing, you can be a little more hands on.

[00:24:32] **Eric Lofgren:** In the chips act. Did they just I wasn't really too clear on that. Did they just pick some champions and choose and provide them money? Or

[00:24:38] **Emily de la Bruyere:** so I think right now as we're talking, I don't believe the money's been allocated to like players, but what is in the bill is like what stages of the value chain it will go to approximately, roughly. Got it. I hope that's right, , what I just

[00:24:51] **Eric Lofgren:** said. What we can I can fact check that one. Yeah it's funny in, in Department of Defense, industrial policy did get raised up a little bit. I think it, it was like a Deputy Assistant Secretary das kind of thing. And then it became an Assistant Secretary of Defense. But again, it's like what we buy is our industrial policy.

There's like all these. Like shortfalls in industrial capacity or ability to do maintenance and organic industrial based stuff. But those aren't really like the programs. The programs are like, I'm gonna buy a B 21. I'm gonna buy a carrier, I'm gonna buy all this other stuff. Should inputs be like strategic outcomes in of themselves?

Should I just say, Look, I'm not gonna say like it has to go to a B 21 or it has to go to the Starbucks down the street, but I'm gonna need this type of material, So I know I should have a capacity that just runs on its own that just provides this thing.

[00:25:40] **Emily de la Bruyere:** Probably yes. And that's what in theory, like critical mineral stockpiling is about right.

Or incentives is that here are inputs that are strategic and we need them and we need to have consistent supply of them. So the government's gonna purchase and yeah, that's probably I mean there's probably a broadening of that could, should happen, but also just like more emphasis on inputs in government procurement.

[00:26:03] **Eric Lofgren:** I also like to think about like just flipping it around, we're somewhat reliant on China in many respects, and I think that's pretty well publicized, but we don't hear too much about how China might actually be reliant on the west. And I think the lithography machines is like an obvious example.

But I just heard actually, like you know, the Chinese are dependent kind of on the US for boron because they're thinking about making, so like boron powered weapons and stuff like that. Is this actually like from a Chinese perspective, you say they're thinking about it much more closely than us, but is it still concerned from them?

Like more than we here might think it is.

[00:26:36] **Emily de la Bruyere:** Yes. And I think it's like you just, the two main dependencies are precisely what you just laid out. One is, I think, or that. Uc talked about in Chinese discourse. One is the upstream inputs and there are a set of upstream inputs. I'm not gonna try to rattle them off, but they exist that in, if you look at Chinese industrial policy are acknowledged as big dependencies and big dependencies on the us and the other is advanced technology.

The issue though is that the US has not figured out how to actually use control over inputs like critical material inputs. To claim leverage over China the same way China does to us. Which is partly a function of us, the government, just not controlling the private sector here, the way it's controlled in China.

And maybe not knowing where those dependencies are. And then on the technology front, we could talk about that for hours. There are just so many loopholes in existing US restrictions on Chinese tech access that yes, they're still behind us in a lot of these things, but generally, we're not as far ahead as we think because of the degree to which Beijing is able to access advanced technologies in the US and internationally.

Because even our backward system here, or insufficient system here is way better than the system in Europe, for example. And as Chinese players see that it's harder to access advanced technology here. They just, they're gonna shift their focus to Europe.

[00:27:55] **Eric Lofgren:** Yeah, it seems like Europe.

Particularly doesn't really take this seriously. And you've pointed to Airbus. For example, you said like 20% of their sales are from China and they've actually

been transferring like willingly tons of aerospace technology to China. And it's no, It's no secret that the Chinese have been trying to build like their indigenous kind of like aircraft capabilities for a while struggling, but looks like they're starting to make headways.

So can you talk a little bit about this and how bad is this practice in Europe versus American companies?

[00:28:24] **Emily de la Bruyere:** So it's bad everywhere. It's particularly bad with European versus US companies. And yeah, I go back over and over to the Airbus case cuz I do just think it makes that very clear.

Airbus's exposures to the Chinese system are glaring and they're glaring, even relative to counterparts in the us. They have extensive partnerships to the tune of like multiple joint ventures, but also a literal investment tie-in with AVIC, which is China's state owned aerospace defense conglomerate identified by D O D as a Chinese military company.

Airbus also has advanced innovation hubs in China. Literal innovation centers. Actually, this is fun. I did work like, I wrote a report on this subject and literally the day after that report came out, they announced a new innovation center in China.

[00:29:12] **Eric Lofgren:** So they have tons of these,

[00:29:13] **Emily de la Bruyere:** They're two of them.

Now two innovation centers and then other like labs and or joint labs and r and d partnerships. But do

[00:29:19] **Eric Lofgren:** they have firewalls with cuz Airbus is also a military contractor. Do they have firewalls or do we not really know?

[00:29:25] **Emily de la Bruyere:** We don't really know. And then they also have crazy supply chain dependencies.

There are multiple Chinese like AIC owned players that are sole or pretty much soul suppliers within the Airbus value or supply chain. And like this, like it's not a great situation. It's bad for Europe obviously. It's also bad for the us. This means that advanced technology risks going to China cuz there's no question that China's trying to take advantage of this and for defense relevant purposes.

And it also means that to the extent the Airbus is in our industrial and defense industrial base, there are supply chain dependencies there that could be really dangerous. Um, we briefly touched, I think Airbus is competing for the, For a tanker and Yeah. Then in Lockheed or lock, Yep, exactly. Okay.

So then in Lockheed And so if Lockheed's already getting pushed back or not, they're not, D od isn't accepting deliveries for the F 35 for the magnets like, , what does that mean for whatever and Airbus ex exposure.

Airbus so much greater. Yeah. Yeah. It's, so this particular case, it seems like a huge risk and one that's particularly threatening because the US needs Europe. Like we need to be allies. And Airbus within its industry is clearly a unique case because there aren't very many players in this industry.

It's more broadly an issue with the European defense, industrial base and industrial base, and then its interaction with the us. I think another point that kind of underlines the difference between Europe and the US on this is, so there's the big arm sale to Taiwan that was recently announced, and that includes like hundreds of millions of dollars of Raytheon missiles and also Boeing missiles , and because of that, they're getting sanctioned by China, which was just announced at the end of last week.

If they're willing to be in this deal, it's okay, they're willing to push back into the Chinese system because they probably know they're gonna get sanctioned. It's not the first it's not the first time Beijing's done this. Which seems positive in terms of some resolve from the defense industrial base to actually defend the US and defend democracy.

But then you get these loopholes, which seem not awesome.

[00:31:26] **Eric Lofgren:** It's interesting to me, what does the sanction like China sanctioning like a Boeing actually mean? Cuz it seems like they would actually want. They're firms to get even deeper into those supply chains so they, they, you're even more dependent and they can turn that off.

It's like a big threat in something they can really have leverage over. Is their version of sanctioning actually No, you can't do business with our companies. Wouldn't we love that? Wouldn't like the US government. We should love that. Absolutely. Everyone should be sanctioned. Get sanctioned now.

[00:31:50] **Emily de la Bruyere:** Yeah. It's interesting cuz they actually, they sanction the CEOs, not the companies themselves, which it might be just a way



to signal to the domestic population that they're doing something without actually doing something. It might also be, one of the ways I read it is that China thinks that if it imposes punitive measures on the US private sector for.

Washington's competition with China, then the US private sector will pressure Washington not to compete with China. So I think it might be something that's like kind of toothless in that capacity, but they're trying to use to then take advantage of company's political influence.

[00:32:25] **Eric Lofgren:** Do we know, for the 7 87, let's say from Boeing, do we know, is that like highly dependent on China in the same way?

Like an Airbus, vehicle might or different?

[00:32:35] **Emily de la Bruyere:** So I've looked at this. I wish I had like actually the details top of mind. It's not, the degree is very different. And it's interesting cuz like Boeing has had a presence in China historically and then has like right now they're working on diverting sales of seven 30 sevens that were meant for the Chinese market to other players.

Like they're moving away. And with that has come more diversification in their. and I think like you don't see the same, **The thing that's really characteristic of the AVIC Airbus story is like one supplier, one Chinese supplier for a product, and like no other alternatives. And that seems pretty unique to them.**

[00:33:14] **Eric Lofgren:** Why are companies turning around on China a little bit? I see like Tesla's in there and a lot of other companies as well, but I'm just like, is Tesla even profitable in China? Are they like just expecting, hey, maybe I'm gonna get some, there's gonna be hockey stick growth and I'm just gonna capture just a small percentage of this market, but it's gonna be huge.

Is that has that actually happened anywhere yet? Or are these firms like still in the investment in Hope Stage?

[00:33:37] **Emily de la Bruyere:** Tesla just had record sales in the last quarter in China. And I think that they depend on 20 plus percent of their revenue comes from China. Oh, wow. And they have major production in China.

So in the short term, **I think they actually are making money off of this.** However, the issue for them is that's probably not gonna last because China has a set of domestic champions that are designed to capture the electric vehicle

industry, including BYD is probably the obvious ones. And effectively China's taking advantage of Tesla to develop its domestic champions.

So it's probably more whatever reverse hockey stick growth is that Tesla can probably make some money now out of China and that's not gonna be the case in a decade.

[00:34:17] **Eric Lofgren:** Wow. So what do, what are you thinking there? They're inviting Tesla so that they can get the workforce and knowledge base and just start seeding that market, but really, That's gonna, that competition will help their companies grow, and then you're just gonna turn that, that off at some point.

[00:34:33] **Emily de la Bruyere:** Yeah. That and then literal technology access.

[00:34:35] **Eric Lofgren:** . And it always strikes me as they're gonna make these big investments in China, that they might not make in the United States. And then it's like there's a huge, even if you're making quarterly profits, like Tesla is gonna have to be many years before you make an ROI on all of that in.

And I think right before World War ii, there's GM and Ford and General Electric, they were all investing in Germany itself, in their industry. And then eventually it just got snatched and converted to war production. That was just like a huge, pretty much lost, but also just like a slap in the face to America and national security.

I'm sure everyone's thinking about that is, is that like a big risk in thing people are thinking or like worried about?

[00:35:14] **Emily de la Bruyere:** Oh, I think it's absolutely a big risk. Yes. So like first answer is yes. And then the next answer is, and if the, even if there's not a war, right? This capacity is likely just gonna get converted for China's domestic champions. Beijing isn't letting major.

International, and especially US companies have businesses in China because it believes in free markets or outta the goodness of its own heart. Beijing is doing this because that gives it access to their technology, their expertise, and it their influence internationally. And ultimately China wants its champions to take over those markets.

So yes, there's like absolutely wartime mobilization possibility, but there's also simply that like those Tesla factories, they become BYD factories. Like same

goes for any. Chinese player versus any other international champion right now that's there.

[00:36:02] **Eric Lofgren:** Yeah. You just like sanction or do so many things.

You're gonna have to sell this at a fire sale price. Yeah. You We don't even, we're not gonna like literally take it over, but basically just make your life so hard.

[00:36:12] **Emily de la Bruyere:** Exactly. And like he, if you can put Jack Ma and disappear Jack Ma, you can take over Tesla's factory.

[00:36:18] **Eric Lofgren:** Yeah it was funny, I was watching, it was some documentary and they were just like interviewing some like German World War II guy in the production base, and he was like the German war machine ran on General Motors, opal trucks,

I was just like, Oh

[00:36:32] **Emily de la Bruyere:** man. . Yeah. And like the Chinese war machine is in operation because it's a war machine that operates in peace, time, and war time. And yeah, it's on US technology and resources.

[00:36:43] **Eric Lofgren:** So what's the state of people's perception of the Taiwan thing . Is everyone just like the Pete Davidson window, by 2027?

Is that pretty much like, why is that such, The consensus is that actually like a reasonable consensus to have or do you think that there's a lot more different views out there and it's really pretty murky as to what might happen?

[00:37:00] **Emily de la Bruyere:** I think it's murier. I think particularly because there's a lot of incentive for

to stay sub-threshold and to use economic pressure and to use political pressure and play this out more in a Hong Kong type way. Precisely because it wouldn't really trigger a reaction. Taiwan is already pretty captive economically, narratively financially to China. There's a way to play this game where China never has to invade.

And where it's more of a slow creep that then becomes, it could even be. A like political takeover or a like in Hong Kong, more like police force type takeover. And I think , that needs to be part of the conversation because it changes how

the US can defend Taiwan. Yeah, it's one thing if Beijing is absolutely gonna send amphibious vehicles, right?

And then you want certain kind of defenses. But if China's gonna conduct an economic takeover, then the important thing is like protecting Taiwan economically, like encouraging it to diversify its economy. Cutting the degree of reliance on China. So

[00:38:01] **Eric Lofgren:** what's a specific example of what China would do in that scenario?

To just strangle hold Taiwan. What does that look like?

[00:38:07] **Emily de la Bruyere:** It depends a lot on the timeframe, right? But right now, if you think about it, pretty much anybody who's making any money in Taiwan is doing so because of the Chinese market. And that's true of old people and is true of young people.

If you're young in Taiwan and. You are not, and you were very successful at school and you're not gonna go work at tsmc, you're probably gonna go to China to work. And so there's a lot of, like the first step is just this elite capture and affecting sentiment. And then you get, you get a kind of mission creep, right?

Like then you can force political changes, you can force government system changes. The national security community can change it mind about things. There are just so many gray zones in the state between Taiwan is an independent democracy. Taiwan as a captive vessel to Beijing, and then Taiwan is a part of China.

And you can cross those stages I think in a lot of, especially if it's a slow creep over time in a lot of steps that do not involve missile.

[00:39:06] **Eric Lofgren:** Still, it's a little less scary from an overall perspective. But it, some people have been saying that at least the younger generations in Taiwan are more fiercely like nationalistic about Taiwan and feel like they are Taiwanese.

Is that like working against that slower narrative? Or are these people like the elite of this group actually captured and so that's their infiltration? Yeah,

[00:39:26] **Emily de la Bruyere:** and I wonder about that, like clearly, like there's an extent to which that's very true, right? Tsai Ing-wen is president which says a lot.

But the elite of the group, I think is the question. And who ends up then having power in 10 years or being the influential voices in 10 years? And I think perhaps because I'm a pessimist here, I am wary of just relying on the narrative of the youth want democracy. And so democracy will remain,

[00:39:50] **Eric Lofgren:** potentially what if Taiwan just decides we have changed the narrative and we are just like, we are decoupling and we are gonna entrench ourselves with the west or something like that. Wouldn't that be the worst outcome? Cuz now they're like, China might just be like, All right, let's move up our timetables.

If that window is closing on us or is that just not a reasonable thing to,

[00:40:08] **Emily de la Bruyere:** it, it. Risky bet. It's possible that there's a limited window of time in which to do that and Beijing wouldn't be comfortable actually like responding militarily now, I don't know

[00:40:19] **Eric Lofgren:** why is Beijing targeting like 20?

I think it's 2045 to be like a world class military that just seems really far away. Like world class. Like how hard is it to be world?

[00:40:28] **Emily de la Bruyere:** They're probably world class right now. Right? Yeah. I mean it's like all of these are the old time tables that are like, the nice round numbers, but also it sounds a lot better to be realize that you beat your expectations than that you were right on or behind them.

[00:40:39] **Eric Lofgren:** It seems like everybody in dc, like they're, no one's really shy about saying, and these war games we tend to lose, right? Shouldn't you take off near peer? If that's the case, then oh, it's should you be

[00:40:50] **Emily de la Bruyere:** taken off of that? Yeah, absolutely. But also that's probably part of the logic too.

If China says we're only gonna be a world class military by 2045, then they get to maintain like the hide and buy narrative even while they're being more aggressive on the international scene. You keep assuring the US that you don't have a military and then, oh wait. Surprise, you do

[00:41:07] **Eric Lofgren:** So I want to like shift gears a little bit and talk about your new publication that you and some others have put out. And it's called Force Distance Times. So what is this that, what are you trying to accomplish there?

[00:41:19] **Emily de la Bruyere:** Force Distance Times is an online magazine I've recently launched and the idea is to circulate solutions focused commentary about American competitiveness in a new industrial era.

So the idea is a positive narrative. We don't want to just be yelling about problems, and we start from the thesis that production is power. And then the other thing we try to do is serve as a gathering place for new perspectives and insight on. A broad range of themes that all relate to industry, but that otherwise aren't necessarily brought together, whether that's technology or geopolitics or manufacturing or finance.

Where is the publication that has, piece from a scientist on a new development in critical mineral refining, but also a piece from a venture capitalist and one from a former investment banker about how the US can move into smarter investment models? . That's the hole we're trying to fill.

And we're also trying to do so again as like a positive narrative because there's so much, and I I'm guilty of this. You've just heard me talk on this about the problems the US faces and so little about how we can actually fix them and compete and win geopolitically, but also socially and economic.

[00:42:39] **Eric Lofgren:** Are there any kinds of North stars or guiding themes. Does like the whole publication have a general trajectory or is it just individual authors, whatever they think is important?

[00:42:48] **Emily de la Bruyere:** I mean,

We have editorial, staff editorial that we run that probably does have a consistent theme.

Probably not unlike a lot of what we've talked about right now. What is American industrial policy, How can it be successful? How does it differ from the model that's in the conventional narrative about it? And then, smaller, much smaller areas within that. But we also, we want to have a diverse group of contributors.

First of all, this is a plug for contributions. We're always looking for those. We welcome them. The reason we want a diverse group of contributors and outside contributors in general is because other people have things to contribute to the conversation that I sure as hell don't know about.

And so for that reason, we don't wanna be super guided in our editorial SL because then that's closing our opportunities off to all of this other insight, new frameworks, new details that aren't in at least my personal little.

[00:43:38] **Eric Lofgren:** And so where can our audience go find the force distance times and how would they be able to contribute if they wanted to?

They can

[00:43:46] **Emily de la Bruyere:** find us. Thank you for asking. At force distance times.com, we have a newsletter too that goes out weekly with a briefing of sorts on. News in the previous week and our spin on it. Also commentary on the website and then contributions, there's a submissions page or they can email submissions to submissions@forcedistancetimes.com.

Or just reach out to me personally.

[00:44:09] **Eric Lofgren:** And where can they reach out to you? LinkedIn, Twitter.

[00:44:12] **Emily de la Bruyere:** Oh yeah. None of those things. They can reach out to me on the forest distance times Twitter account as well. .

[00:44:16] **Eric Lofgren:** Okay, cool. And what about you? First I want to, it seems like you've had a pretty interesting career.

How'd you get to where you got to and then what are, like, what's at the top of your mind? What's next?

[00:44:26] **Emily de la Bruyere:** You sound like my mother. What's next for me? . Sometimes she sits me down. I hope she never listens to this. And she's like, Where do you see yourself in five years? Is she not proud of you? I think she's very worried about where I see myself in five years.

Okay.

[00:44:40] **Eric Lofgren:** And I have no, no idea. You don't know.

[00:44:42] **Emily de la Bruyere:** I say, I have no idea. And she said, You should really have a plan. And I say I'm not great at planning. I think like I'm very ideologically. Originally it was like it's funny cuz I mean I talked earlier like in your first question about the shift in attitudes towards China and then comparing it to the shift in attitudes towards industry.

And I think that's me projecting my own personal experience. I was very radicalized on the subject of, China's trying to take over the world, which I think it is, and the threat is way much more severe than the US realizes. And then the more I spent time staring at that, the more I was like, wow, what we need is domestic industry.

And that actually answers. I try a problem, but a lot of other ones too. Which is a long way of saying I have no idea to my mother's question, but I'd like it to be something that is productive in terms of, bringing about what to my mind is necessary and useful change.

[00:45:28] **Eric Lofgren:** Emily de la Bruyere, thanks for joining me on Acquisition Talk.

[00:45:32] **Emily de la Bruyere:** Thank you for having me.