

What Happens Next – 6.27.2021
China's Global Ambitions and Internet Dating
Luke Patey QA

Larry Bernstein:

Thanks, Luke. I want to dig into Argentina first and give a historical example. At the turn of the previous century, the United Kingdom was on top of the world and it too wanted to participate in infrastructure projects in Argentina. The UK built the railroads there. It provided British made locomotives, even the engineers who drove those locomotives were Brits. But what they were driven by mostly was not foreign policy objectives, they were interested in making money. Some of those railroad loans were guaranteed by the Argentine state and there were some defaults during liquidity crises. But those projects were made to be profitable. Here, we have something where there's not a capitalism overlay necessarily, where the projects are more politically oriented. To what extent do you see that political versus economic decision-making resulting in poor project choices?

Luke Patey:

I think the Chinese in Latin America are repeating a lot of Britain's historical engagement on the continent. They're engaged in railway projects and ports and mineral investments up and down the continent. Some of these are, of course, politically oriented. I think others are more strategic in terms of accessing natural resources from soybeans, for China's food security issues, to access rare earth metals like Lithium for China's industry. So it's not necessarily that they are entirely profit oriented. I think there is an investment on the China's side from its policy banks, like the China Development Bank and China Exim Bank, to capture some of the strategic value from these investments.

Larry Bernstein:

Pre-COVID, I would go to the annual World Bank meetings. And what surprised me as I walked through the IMF 25 years ago, I didn't notice any Chinese nationals working in the institution. And today, they're the most represented of any country. It seems like the Chinese have deeply embedded themselves in some of these multilateral institutions to learn and to potentially use them. The IMF could be very helpful in forcing an African nation to repay amounts owed to China. But I think that the complaint within the IMF and other multilaterals is that China doesn't play ball by international standards. To what extent do you expect China to become co-opted into the world's liberal international order to enforce contracts?

Luke Patey:

Well I think China is going about designing an alternative system. The China Development Bank, which I mentioned earlier, has in Africa alongside the China Ex-im Bank really rivaled World Bank finance on the continent. The same can be said for U.S. led multilateral banks in Latin America. Chinese policy banks have very much become their rivals. And they have a different approach, particularly to transparency and confidentiality. Recent studies have shown that

these Chinese policy banks demand that their debts be prioritized in repayments, that there is more collateral attached to the debts. So I think right now, China is in a stage of its ambition where it has its feet in both the existing international order, as you talk about the engagement they have, increased engagement in the World Bank and IMF. But also, developing alternative systems where their interests are more directed by Chinese officials in Beijing, rather than through multilateralism.

Larry Bernstein:

Sticking with Africa for a second, Howard French had a book out on Chinese relations with various African countries. And as they build railroads or invest in infrastructure projects, thousands, and maybe it's up to a million at this point, Chinese nationals have moved to various African countries. How is that relation going with ethnic Chinese now embedded in Africa? Is that going to help cement relations between China or is it going to create frictions? And is it different across countries? Is it different across industries? How are the African people responding to this Chinese involvement?

Luke Patey:

It's a difficult question because there's a great variety across the African continent in impressions towards China and experiences with Chinese migrants and Chinese companies. I think what is probably central throughout is that there's a strong positivity towards China as an external influencer. A recent poll by the Afrobarometer of 18 African countries found that China was ranked even above the United States slightly as a positive external influencer. But at the same time, the majority of Africans' poll pointed towards the United States and democracy as the governance model that they would like to take on or to continue with. So many Africans are positive towards both the U.S. and China in different ways. I think they appreciate the Chinese investments in manufacturing and bring in new employment to the African continent.

But at the same time, I think many Africans' civil society and private sector feel that they are being crowded out of the ownership of these new sectors of development for their countries. So Chinese imports of clothing and other low cost goods often push local Nigerian or South African goods out of the market. And then Chinese companies come in. Employ Africans, but then sit on the ownership of those new companies producing goods that African companies once did. So it's really a mixed bag. And that's why I think it's critical still for the U.S., Europe, Japan and others to maintain that engagement in developing countries, because there's still room I think to have a stronger influence.

Larry Bernstein:

Luke, you're talking to us from Denmark and you work for Danish research institutions. We're a predominantly American audience. And we're confused as to how Europe thinks about a great challenge between the United States and China. What is the European perspective as they watch this matchup? And to what extent will China split the U.S. European alliance? Is it based on values? Is it based on trade? What's going to be driving that?

Luke Patey:

I'm Canadian originally, but I've been here in Europe for some 15 years, and working on China for many of those. And what I noticed among many Europeans over the last decade or so is a general negative attitude rising towards China. That is definitely one trend line that is clearly seen. The same types of negative perceptions that Americans or Canadians have towards China have built up largely here across the European Union. That said, the European business, and to a certain extent, political leadership, is sensitive about losing out on economic opportunities in China. They are keen to keep all those doors open and not for the U.S. China rivalry to upset avenues to revenues and profit. But at the same time, I think it's critical for Americans to understand that the EU and individual European countries have their own relationship with China, and that China has been fumbling the ball big time in managing that relationship in recent years.

So these negative perceptions are not a consequence of American negative perceptions, they're a consequence of China meddling more in European democracies of rising Chinese competitiveness across different sectors of the economy, from solar to telecoms, to wind energy. And the Europeans, just like I think the Americans, are realizing that their economic prosperity and welfare is also facing a new challenge from China. That is it's not simply a question of accessing the Chinese market and whether or not you win there or not, but it's also a question of competing with the Chinese here in Europe across different business sectors, but also in third countries. So I think in general, the EU and the U.S. are often on the same page. But I think Americans need to be particularly sensitive towards the tone and rhetoric that is coming out of Washington that Europeans maybe uncomfortable with.

Larry Bernstein:

In your book, you mentioned something I didn't know, that the Dutch were working with the Chinese on some peacekeeping operation, and they gave some computer drives to the Dutch army to use. And on these disk drives was some spyware that allowed the Chinese to read some of the Dutch messages, causing a bit of a firestorm. It reminds me of the broader problem where the United States and the Trump administration particularly was worried about Huawei potentially spy on the entire national networks. To what extent have the Europeans bought into this fear and are they concerned about Chinese spying and manipulation?

Luke Patey:

I think that most Europeans are. Most Europeans would want strategic autonomy from both the Americans and the Chinese in such critical sectors. But we've seen that they still are more trustworthy towards the Americans because of the long alliances, because of the long-shared history. But again, it's about having experiences with China that is really driving the European agenda. So here in Denmark, for example, the Chinese ambassador in late 2019 threatened the Faroe Islands, which is part of the Danish kingdom, that if they did not take on Huawei as their fifth generation mobile network provider, then China would not grant the Faroe Islands a new free trade agreement, the new avenues to sell fish to China. And this of course broke out in the media and did very much to upset China's reputation here in Denmark. And also, raised a lot of questions of the trustworthiness of Huawei from that experience.

The Huawei issue is an essential one because it points to, again, to the fact that other countries are making up their own minds on China outside of this U.S. China rivalry. We know that it was Australia that first raised the alarm bell on Huawei and went to the Trump administration to ask the president at that point to focus more on that issue globally. And we know that India has recently blocked Huawei and other Chinese state companies from participating in their 5G networks out of the conflict that those two countries had last year along their shared Himalayan border. So the key message I think is Europeans, Australians, Indians, they're all having their own relationships with China that are turning sour.

Larry Bernstein:

I want to turn the subject to countries that border China. We had Stephan Strangio speak about his book, which related to relations between China and countries that share a border with China. Just like you just described it, the neighbors take advantage of the Belt and Road, they like the Chinese investment, but they're scared that the Chinese, their military power, particularly in the South China Sea, will end up hurting them. But they don't want to be caught up in a war with the United States either. What are your thoughts on China's neighbors as they interact with this growing power?

Luke Patey:

I think that opinion is correct. Most countries in Southeast Asia don't want any split from the Chinese. They are physically attached to China in many countries. China is their largest trading partner. China is building new, impressive infrastructure connecting the region with the Chinese mainland. But at the same time, they want to keep their foreign policy and defense autonomy. And in that regard, the Americans are still a key security provider. They're not throwing all their eggs in a Chinese basket. It's also important to recognize that although China is the largest trader in the region, and it's often said that the Americans are being pushed out, the U.S. is still the number one foreign investor in the region. Another important point to make is that Japan is actually providing more infrastructure finance to Southeast Asia than China. That's both historically and looking forward in planned projects.

And that's because the Japanese are also keen that the region is able to maintain some balance away from a situation where China dominates. Another key point about Japan's infrastructure finances, it's not of course connecting these countries to China. It's connecting these countries together with railways and other infrastructure connecting the region. So that's really appreciated. And the last point I'll make is this quadrilateral security dialogue, which is a defense and strategic partnership between the U.S. Japan, India and Australia, to counterbalance China's influence in Asia. There was a poll last year of Southeast Asian experts in civil society, business policy. And 62% of those polled pointed towards the quad, as it's called, as a framework that they want to get more involved in. So there is a clear recognition among these countries that they would rather live in a rules-based order than a world where raw power is dictating affairs.

Larry Bernstein:

You mentioned the concept of the Beijing orbit. Who's in that orbit? I recognize that North Korea would be one. Maybe Venezuela is another. Is South Sudan, Djibouti. But these don't seem to be very important countries or they're countries that are on the decline like Venezuela. How do you think about who's in the orbit and if it matters? I mean I can see Djibouti because of its access to the Red Sea and global sea lane traffic. But what's going on? Who are these countries? And why?

Luke Patey:

Sure. I think you're right that generally, these are countries that don't carry a lot of global clout or economic power. Djibouti, even Djibouti I would say is not necessarily completely on the China side. They have military bases for a whole line of countries, of course, including the U.S., Japan, the UK, France. And so they're clearly trying to benefit economically from their strategic location. I think countries in Southeast Asia, like Laos and Cambodia, are often pointed to as very close to the Chinese, and we're finding increasing evidence that China may be constructing a naval base and air force facilities in Cambodia. So even if these countries may be strategically weak on their own, their location makes them still vital for Chinese interests, because from Cambodia, of course, China will have even better access to the South China Sea from Djibouti.

Chinese can send special forces or military to protect their interests in either the Middle East or Africa. So even small partners can be important partners. But I think as you rightly point out, if you start to compare whether the U.S. has stronger friends than China, the U.S. still has this alliance that can really pay off enormous benefits if it's harnessed correctly. And by that, I mean trying to focus on what countries want rather than just focusing on how to stop China in a particular country, focusing on that country's interests and values and its future prospects, rather than building an anti-China coalition per se.

Larry Bernstein:

Let's go back to that word you just used, values. The United States, historically, has supported democracy, free trade, human rights. We don't apply them consistently. With certain authoritarian regimes they remain an ally and where the stakes are lower we go for our human rights arguments. The Chinese don't pretend that they are indifferent to authoritarianism, and give a helping hand to anybody really who could serve Chinese interests. How do you think about that distinction and values and whether or not in the long run it'll help one team versus the other here?

Luke Patey:

Yeah, it's an interesting question. I mean, the Chinese don't have sort of an authoritarian promotion project per se, but their financial engagement in other countries, for example, through loans, has a way of passing on Chinese values to other countries. For example, in both Argentina and Kenya, local laws needed to be changed by the governments there to take on Chinese finance, and those changes basically got rid of public tenders, got rid of a lot of the transparency that's usually applied to public works and therefore in a way passed on more authoritarian like values to third countries. That said in both those countries there's a vibrant

civil society and media, and two sort of organizations that are more known in democratic societies, although they're not necessarily absent in China. And civil society and media, particularly independent of those groups can be a considerable ally sort of say for the Americans going forward.

A lot of these countries have sort of a nascent democracies and these need to still be, I think, protected and built up. But critically the US also needs to demonstrate the strength of its own democracy at home and the stability of that, and that I think in itself will go a long way in sort of the values war.

Larry Bernstein:

We had Admiral Stavridis on the show a few weeks ago, he was Supreme NATO commander, he was also an Admiral in the US Navy, and he's recently written a novel called 2034, which is based in the South China Sea. And in that novel, the Chinese engage in military operations, take down an American aircraft carrier as they try to invade Taiwan. And the quads, to some degree, comes to the help, but it results in significant military conflict. As you think about the South China Sea as a military location, I still don't comprehend what the Chinese are up to here. They seem to be antagonizing their neighbors who are also their trading partners, and just because they control the South China Sea doesn't mean that they control the rest of the global sea lanes. How do you think the likelihood of a military engagement over Taiwan, and it both being a source of national pride, but a source of problems for the Chinese military global ambitions as it relates to the strength of the US and European Navies?

Luke Patey:

I think I'm less worried about a Chinese military invasion of Taiwan in the near future than many others. I think he would still be an incredible risk for President Xi Jinping to take in the next few years. In particular, as he approaches the next National Congress, where he will very likely receive a third term as the Chairman of the Communist Party and president of China, sort of breaking this cycle where a chairman has only served two terms, and therefore a conflict with Taiwan is probably not what he's thinking of at the moment.

In the longer run, I think that it's definitely a feather that he would like to put in his hat before he retires, but still there's incredible risks with invading Taiwan, even as Chinese military power grows, because what comes the next day in terms of occupation? This isn't a Hong Kong per se, it's a very independent country with a population of some 24 million that see themselves increasingly as Taiwanese and not Chinese, according some more recent polls. So this is not sort of a country that I think will just sort of roll back, rollover. And I think the Americans and Japanese are also, I think, acutely aware of if Taiwan is to fall to China, then the Japanese in particular will probably be next on the list in their disputed islands that they have with the Chinese.

So I think there will be a growing work with Taiwan coming from the Americans, coming from the Japanese in trying to build a further deterrence against the Chinese, so that the Chinese don't move ahead with such an attack. The results of such a conflict can be devastating to the global economy, particularly to East Asia, because this would choke up the Taiwan Strait, where

a lot of East Asia's critical resources such as oil come from. So I'm still quite optimistic that China is not taking steps towards an invasion anytime soon.

Larry Bernstein:

Luke, thank you so much. That ends our China discussion. We're now going to go to something absolutely and completely different, which is the subject of internet dating. Today we have a panel, and our first speaker is Tariq Shaukat who is the president of Bumble, a women empowered online dating platform. He will be talking about the current state of internet dating and how COVID changed dating patterns. Tariq, go ahead.

Tariq Shaukat:

Thank you, Larry. And it is quite a hard pivot in topic, so let me do my best to keep everyone engaged. So, as you mentioned, I am a president at Bumble, Inc. We operate two of the largest dating apps in the world, one called Badoo, which is not terribly widely known here in the US but it's one of the leading apps in Eastern, Western Europe, as well as Latin America. And then the Bumble app, which is much more widely known here in the US. But Bumble and Badoo are number two and number four, top-grossing dating apps globally, and Badoo in particular has a very global presence across, a top three app in over 60 countries around the world. In total, between the two apps, we have about 40 million monthly active users. So that's a little bit of context about Bumble.

I felt what I might do is start with just a little bit of an overview around the online dating space and how it works in case some of your listeners are not terribly familiar with the space. And then I really want to dive into COVID, what's happened with COVID, what's happening after COVID and what behavior in the dating world is likely to be like, at least as best as we can tell. So if you haven't been on an online dating site or on a mobile dating site as it's probably more accurately termed these days, it is very different of course, than what it was in the early days of the internet. And online dating in many ways has been around since the days of bulletin boards and chat rooms, but now it is very mobile enabled. And with the smartphone, it has quickly become, I believe, the dominant way, particularly in the US that people are meeting each other.

The first step is to create a profile. And your profile will typically give you some information about who you are. It'll let you express your personality in a fairly two-dimensional way. You get to put photos, you can add some hopefully witty comments and response to prompts and questions that we and others provide you, and you get to provide really what input, whatever information you choose to provide, gender identity, relationship goals, education level, zodiac signs, interests, and hobbies. We have over 150 badges on Bumble and Badoo that you can opt into and display.

Once you've created those profiles, you get to then browse other people's profiles, and there's a number of different ways this happens, but it is generally, on Bumble done asynchronously, meaning you swipe through a range of profiles. If you like the profile you swipe right or click yes, if you don't want to meet the person you swipe left. And it's essentially a double opt-in system where both parties have to basically swipe right to say that they want to match. Then once you match on our platform you can then start a conversation with people. You can have a

text exchange, a video chat instead of audio messages, and you can even increasingly play games. We've launched trivia in app, as an example, as a way for people to break the ice, get a little bit deeper into getting to know each other before you decide if you want to meet somebody in person.

And as you mentioned at the very outset, on Bumble one of the key design elements is that women have to make the first move as we term it, which means that the opening message post-match is driven by the woman in the heterosexual relationship. Increasingly, there's also a location element to it, and all sorts of other elements that you can bring in with augmented reality and other things like that.

So that's just a little bit of how online dating works these days. It has, as I mentioned, really, we think, exploded in the last 10 years and really in the last five. There's a study out of Stanford and the University of New Mexico in 2017 that showed, even back then, four years ago now, 40% of American couples met online. That's a number that we believe has been growing very, very rapidly. And particularly with COVID, as I'll come to, of course, the other competitors to that, if you will, which our bars and restaurants and meeting through friends and coworkers have been quite challenged. So we think that now online dating or mobile dating is the predominant way in which couples in the US are meeting. We also are seeing very rapid growth in this really all around the world. Some of our fastest growing and most organically growing countries are in Southeast Asia, as an example, especially Indonesia and the Philippines.

So it's a global phenomenon, it's becoming more and more just part of society. And what is really interesting about this space, probably contrary to a lot of assumptions people have is that the majority of people, on our dating apps at least, and I'm sure there's counterpoints to this, but the majority of people on our app say that they are there for a "real" relationship. And I say quote unquote, because the definition of real is different for everybody. In some cases, they're looking to get married. In other cases, they want to build sustained relationships and see where it goes with somebody. And that's one of the things you can opt into in the beginning of saying what type of relationship you would like to have.

Now, that is something that has really been an evolution of the space, and it has I think come with, or maybe been propelled by the de-stigmatization of online dating. There certainly have been times in the past when a lot of people were embarrassed to say that they met line or never really revealed to their friends that that is how they met their significant other. Research that we recently did showed that 91% of single people in the US believe there is no longer a stigma attached to online dating. And you see that more and more with how part of the culture it has become, how much part of the conversation between friends it really is.

The other piece that goes along with that is just a lot of investment by us and by others in safety and accountability, making the experience a safer experience to use. For example, we've pioneered the use of artificial intelligence to help protect people against unwanted images being sent to them, using AI the image would come across blurred, as an example. And so those are just some examples of the types of technologies that are being brought to this connections platform, this social discovery platform.

And I promised to talk about how this has been evolving with COVID, and really it has been remarkable to watch or to have this view into society as COVID has happened. One thing that

you saw very early on in COVID was a pretty radical change in social activity, that's probably the most obvious statement that I could make in this call. But if you remember that 40% number I said before, obviously that 40% spiked up to something much larger. The majority of people who were still involved in the dating world were dating online in some way, shape or form. And what we saw in the US was a 70% increase in the number of voice and video calls on our platform once the state of emergencies were declared in March and April well, 2020. So you've clearly seen people migrating their dating behaviors into this digital world, with the digital world becoming the norm. And as we've seen with video conferencing and all sorts of other things, that it is becoming normal now.

And of course, there's a lot of people who are suffering terribly in the pandemic, and we did see some disengagement from the dating world, particularly frontline workers in the pandemic who were a more socially isolated, more distressed have been disengaging. But what we've seen was that for those who stayed engaged, their daily engagement as a percentage of people engage on a monthly basis, for example, has been increasing and remained at very, very high rates.

Now, as I mentioned, there's a lot of behaviors that we believe have been learned or practice as a part of this transition during COVID, and one of the biggest... And we believe a lot of these are likely to be sticky, and we're seeing that stickiness as the pandemic relents in different parts of the world.

One of the things that we've noticed is that even for people in their early to mid-twenties, they are generally speaking, taking dating, what we are referring to as much more intentionally, meaning they are much more specific about what they want out of a relationship, that they are much more seeking a, as I mentioned earlier, real relationship. Again, that doesn't mean they necessarily want to get married tomorrow, but they are being much more clear. 55% of our global users have told us that they are less willing to compromise on what they want or need from a relationship, but a large part of that is at 40% of people are being much more clear or have noticed a much clearer statement of intentions and communication around expectations in the dating world, what they're looking to get out of the relationship is being stated upfront and much more clearly.

Now that's one thing that we've seen be a real change in this COVID, in this pandemic time. Another is this notion that we're calling slow dating. And slow dating is the idea that you're using online tools, you're using dating apps, you're using FaceTime and all sorts of other means to get to know somebody before meeting them in real life. 40% of our users are telling us that they enjoy going on virtual dates because they believe that it's safer to go on a first date or a second date virtually. Than otherwise, about a third like the virtual data because it saves them time and money, about a quarter like them because they don't have to get as dressed up, they don't have to invest as much time.

And as one user said, and this is paraphrasing, but more or less the quote was, "Why do I ever want to go to a random bar to meet a random stranger only to find out we have no chemistry, and he's not really what he said. It's a complete waste of several hours of my life." And that is increasingly becoming the sentiment that you hear from our users on these platforms. They've understood, they've gotten used to the idea of meeting someone virtually, getting to know

someone virtually, and then they'll meet up when there's a real they're there. So that again is something that we think is likely to be sticky post pandemic.

And then finally, as the pandemic starts to relent in different parts of the world, and of course, it's not relenting everywhere, it's still very full on in many, many parts of the world. We are seeing that people are coming back out and they want to meet up. Well, one of the things that is striking is how nuanced this point is. When the governor of a particular state says, "You no longer need to wear masks, you can now go to a restaurant." We're not finding a lot of change in user behavior on our platforms, at least.

What does seem to be happening, however, is that as vaccination rates are increasing in different parts of the country, in different parts of the world, that is triggering people to come out again. So the Northeast US as an example, has grown faster than other parts of the country here. And maybe the best example of this, somewhat tragically, is what's happening in Australia. Where if you look at open table data or other data sources, you would see restaurant visits being very high compared to what it was both last year and the year before, but we weren't seeing that in dating behavior. And we believe that it is largely because of the low vaccination rates, people are happy to interact in their pods with their close friends, with their family, but they're not as willing to meet new people.

And so one of the things that we've been leaning into as the pandemic is starting to relent in different parts of the world is allowing people to state their pandemic preferences. Do you only want to be virtually, or do you want to go for a socially distance date, or are you okay meeting at a restaurant? We've joined with the Biden Administration in helping to promote vaccinations and are soon launching vaccination badges, so you can actually tell people if you are vaccinated or not. And we know that 30% of the people that we surveyed will not go out on a date with somebody who has not received the COVID vaccine, or at least that's what they are telling us. So there's a lot of changes that are happening. It's still a very fluid situation with COVID, but there are some real lights at the end of the tunnel here. And as vaccinations do roll out, we do believe that things will continue to become more social, people will continue to go out and want to meet new people.

And I guess the final point is that this is not restricted, in our experience, to just romantic relationships. What we've seen through the pandemic is an increase, a dramatic increase in the number of people using our platform to try and meet friends, both platonic relationships and in some cases, professional relationships. We noticed this starting a couple of years ago pre-pandemic, but it really has accelerated in the pandemic. We have a product called Bumble BFF, which is for finding friends, and what we found in our research is that one-third of US singles have tried making friends online during the pandemic. And in the first three months of 2021, we've seen a 44% increase in the amount of time spent by women on the BFF platform, an 83% increase in the amount of time men are spending. And it's actually working, 90% of people on the platform are finding a match when they initiate something.

So we do think that there's a real epidemic, if you will, of loneliness that has existed for a while has in expanding with the pandemic. We've known that women's social networks, for example, shrink by 40% between the ages of 25 and 40, that's a stat out of the book, *Social Chemistry* by Marissa King. And we think there's a real need there that the same technology applied to

dating, the matching algorithms, the user engagement, can be applied to the friend finding and platonic world as well.