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CHINA FACES THE FUTURE

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PROCEEDINGS

ANDREW YANG: Well, good afternoon, everybody. We have started a bit late, five minutes late behind the schedule session time here, but I was advised by Richard to kick off the discussion right now.

My name is Andrew Yang from Taipei. I'm currently the Secretary General of the Chinese Council of the Advanced Policy Studies based in Taipei. And to begin, I want to thank both Richard and Dr. Tuan Y. Cheng, who invited me to this Taiwan-U.S. Conference here to make my first public appearance as a frequent, but Washington, visitor here. This is my first public appearance at The Brookings Institution.

And we have our Panel II discussion, focusing mainly on the Obama Administration's policy towards China and towards cross-Strait relations, and we have there distinguished speakers for this panel.

On the right side, I would to introduce Dr. Tuan Y. Cheng. He is the director for the Institute for International Relations at National Chengchi University, also the co-organizer of this conference; followed by Professor Michael Green, who is the Senior Adviser and Japan Chair at the Center for Strategic and the International Studies.

And the third speaker is on his way now. Mr. Kevin Nealer is a principal at the Scowcroft Group. So why don't we just begin with the Professor Tuan Y. Cheng to kick off the discussion. Professor?

TUAN Y. CHENG: Thank you, Chair Yang. It's really my great pleasure to present my paper here. Since we only have 10 minutes to present, I would like to properly give a short introduction and directly hit the main points of my presentation.

The purpose of this paper is to examine the changing U.S.-Taiwan-China triangular relations, with an attempt to provide an analytical framework to explore the future relations of the three sides.

The U.S.-China-Taiwan relationship has long been considered a micro strategic triangle in the Asia-Pacific Region. They are closely connected and inter-reactive among the three sides. From 1970, by the establishment of the triangle until 1980, it was always a type of asymmetrical triangle. In the triangle, as you can see the main characteristics, we can see the United States as the major actor, the most powerful and the predominant; and China the second powerful; Taiwan stood as the weakest, meanwhile, the U.S. continues to keep positive relations with both China and Taiwan. So, no question: the United States is pivot and the predominant power in the triangle.

Relations between China and Taiwan were antagonistic against each other almost all the time, and it was a constant phenomenon during the period. Because of that, China and Taiwan, both tries to win the support of the U.S., and that only reinforced the U.S.'s pivot position in the triangle. So that was the situation in the triangular relations before 2008.

However, beginning from 2008, we have seen three major changes of the triangular relations. The first was the easing of cross-strait relations. After Ma Ying-jeou was elected in 2008, cross-strait relations have gradually improved, as you know very well.

Second, the fast rising of Chinese power made China much more competitive and capable to pose a challenge to the United States, even though the Chinese military power is still far unmatchable to the American military.

And third, China is getting more international influence. For example, if I can give you one illustration, in the Bush years China depended on the American market for economic development and modernization, while the United States depended on China for regional and international security. However, now we see not only the United States depending on China on regional and international affairs but also on international financial relief and economic recovery.

Because of this change, we see some obvious impact on the triangular formation. First, we see the cross-strait relations go from constant conflict in the past to either cooperation or conflict in the future. And the second, U.S.-China relations from constant cooperation in the past – the Chinese always follow American leadership, and comply with U.S. requests in the past -- but in the future China becomes more independent and assertive. So it could be either cooperation or conflict with its relation with the United States.

The third factor, U.S.-Taiwan relations, however, remains unchanged. In the future, Taiwan will still need to rely on the United States for survival and development, both in terms of security and economically. So according to the change, we can see at least two measures of variables, and this can help us shed some light on the future change of the close relations in conflict and cooperation; and the U.S.-China relations, conflict or cooperation. Also, the position taken by Taiwan between U.S. and China. So when cross-strait relations are in conflict, and U.S.-China relations are also in conflict, in that case Taiwan will take the position of conflict.

When cross-strait relations are in conflict, and U.S.-China relations are in cooperation, in that case Taiwan will be constrained by the United States or by U.S. and China, jointly. When cross-strait relations are in cooperation and U.S.-China relations, however, are in conflict, in that case the best that Taiwan can do is neutralize -- take neutral position, and not go against China and the United States.

Lastly, when cross-Strait relations are in cooperation and U.S.-China relations are also in cooperation -- this is the ideal situation -- of course, Taiwan will take the position of cooperation.

Accordingly, we can use the full triangles to reflect the four types of relations in the future -- type A, B, C, and D in corresponding -- with the four types of relations. But we know right now from 2008 the triangular relations -- I mean dating are transformed and the change from the three-fold asymmetrical triangle to dual asymmetrical triangle, since the Chinese power is becoming more competitive.

According to the new change, and the future types of the triangular relations, I think some main characteristics of the types can be identified. First among the four dual asymmetrical triangles, in terms of triangle instability, the ranking of the stability, the type D, is considered the ideal scenario, the three win-win-win situation, all three sides get a benefit from the triangular relations. So under the situation, the triangle is quite stable.

Type B is becoming unstable. Type B is just as similar as the triangular type before; however because of the change of power, and then we see that the United States is no longer predominant in the triangle and could be challenged by China. So under the situation, we see that type B is not as stable as before.

Type C is a hazard to Taiwan. In type C, even Taiwan keeps positive relations with both sides, with United States and China. But since Taiwan is the weakest in the triangle and cannot control and manage the triangle, so under the situation Taiwan is in a dilemma and the triangle is rather unstable.

Of course, we know that type A is the most dangerous and explosive situation, and it is the direct confrontation between the United States and China, and then Taiwan sides with the United States. So it's a kind of overall confrontation.

In terms of American influence on across-Strait relations, we can see how in type A the United States can exercise the most in type A, and then follow in type B, C, and D. I think here it is very interesting to find out when cross-strait relations are in conflict, the American influence can be stronger. That is, the United States can exercise more influence; however, when cross-strait relations are in cooperation, in that case the United States law gets weaker and thinner.

Now, we turn to the issue about the prospect of the future of triangular relations. Most of the people agree the U.S.-China-Taiwan relations are in good condition now. That is the ideal, the ideal type D, and this has never happened before -- all three sides maintain positive relations with each other and also among themselves. And it's the first time for the past 50 years, and has never happened before. We hope that the situation can continue and all three sides agree. In the first two years of the Obama Administration, type D will continue to remain.

However, after the first or second year of the Obama Administration, there are quite different views on the future relations of the three sides. First, from the Chinese perspective, most Chinese are quite optimistic about U.S.-China and cross-strait relations; as for the Chinese perspective on U.S.-China relations, they think China is becoming more important to the United States, and U.S.-China relations are getting more interdependent.

So it is hard for any party to change the direction regarding cross-strait relations. The Chinese consider Taiwan to be getting closer economic link to China in which there are coming more economic activities and social changes. The across-Strait relations are getting closer, and it will be difficult to go back to conflicted situations. So at least they think that type D will proceed, so they're quite optimistic.

If the type D will continue to go real from Chinese, they think the triangular relations will be transformed. That is all three sides when they are all positive relations, and then it will be transformed into three bilateral relations, no more triangular relationship. Overall in the process, they see a down-trend of American law in cross-strait relations.

A view from the American perspective about the future of U.S.-China relations -- some American observers are positive about future U.S.-China relations; some cautious and pessimistic. About cross-Strait relations overall, they welcome the progress; however, considering the future, many are quite uncertain.

In other words, a view from the Americans that since U.S.-China relations could be either cooperative or conflictive in the future depending on American policies, Chinese strategic planning regarding cross-Strait relations could be either cooperative or conflictive due to factors such as Taiwan's domestic politics, uncertain relations between the two sides across the Taiwan Strait, and also different political agendas between Taiwan and China.

Finally, from the Taiwan perspective, we consider the U.S. and China to be very different in many aspects, so it's very hard to keep an eagle and dragon dancing for too long, since they are two different species and dance in different steps. So the future will be mixed with cooperation and conflict. About cross-strait relations politically, Taiwan and China can't be too close, but economically Taiwan cannot go too far from China.

So the future of cross-strait relations is a kind of not-so-close and not-so-loose relationship -- it's in the middle. Highly skillful management is required, not only to deal with cross-strait relations, but also U.S.-China relations, that is the triangular relations under the situation view from Taiwan. It could be type D, B or C, but overall conflict between the two sides, U.S.-China or Taiwan, I think will be less likely.

So my conclusion is that U.S.-China-Taiwan relations are changing, and because of this change, the old type of triangle is outdated. A new analytical framework

is required. Type D reflects the present triangle, but in the future and all four types of triangle, according to the majority view, could be possible.

Thank you very much.

(Applause)

ANDREW YANG: Thank you, Professor Cheng. I would follow Ken Lieberthal's rule and give a two-minute notice to the speakers and try their best to present their papers within the 10-minute time frame. Next is Mike Green. Mike?

MIKE GREEN: Thank you. I'm very glad Kelvin Nealer showed up to talk about the economic relationship because I was told with this assignment there would be no math. And also I want to say hello to all the good people in the next room. I don't know if you know this, there are about 30 or 40 people sitting in the next room watching us on a large television monitor. And when I went in there and was surprised to see them, it reminded me of the last U.S.-China Summit I went to when I was on the NSC staff -- it was in 2005. My bosses wanted me to change the format a bit because usually we would meet in the Great Hall of the People, and there would be six or eight Americans and then about 30 or 40 Chinese officials on the other side. So I haggled, and I argued, and I debated. And finally, my minister of foreign affairs said, "Okay, six on a side." And I went back and reported it to the president, and I did it, so six on a side. So we sat down and we had our meeting. It was a very good meeting with six on each side.

And then one of our delegation went to find the men's room and opened a door, and inside the door was a room like that one with all the Chinese officials that had been kicked out taking notes and watching us on a big screen.

So, so much for my expertise on U.S.-China relations.

(Laughter)

MIKE GREEN: I've been asked to talk about U.S.-China relations under the Obama Administration. I'm, in addition to being at CSIS, I'm on the faculty at Georgetown, and it's a bit early in the semester to be giving a grade to the Obama Administration. Some key officials like Kurt Campbell have only been on the job two weeks, and the Treasury Department, most of the key officials aren't even there yet. Our ambassador isn't in place, so it's a bit early. But I will make an effort to do this -- mostly by asking question, which is what good professors do early in the semester rather than giving grades.

I will say that I worked for President Bush and I worked on the McCain campaign; but I think they're off to a quite good start overall. In some ways the Obama Administration was handed a pretty good political hand on China-U.S. relations. The typical pattern over the last 30 years when the party in power changes in the U.S. is that

we have a rough time in U.S.-China relations for the first six months or two years because of the politics.

Reagan came in having criticized Carter for abandoning Taiwan. It took him awhile to sort of get back to a steady China policy. Bill Clinton came in accusing George Herbert Walker Bush of coddling the dictators of Beijing. It probably took a couple of years before they established a consensus, internally, on the Clinton Administration on China policy. The Bush Administration came in with Condoleezza Rice's famous article in Foreign Affairs saying China is not a strategic partner, the kind of language that the Clinton Administration was accused of using, but rather China is a strategic competitor. And it took, basically, EP-3 and some crises in the first six months to get the Bush Administration's China policy sorted out.

A lot of people thought that the last election cycle would see a lot of China issues. And at one point Hillary Clinton as a candidate gave a speech in April 2008 in Indiana trying to link economic tensions with China to national security. And as we say in basketball, it was an air ball. It didn't even hit the rim, it didn't have take. And when Obama and McCain joined in the general election, China very rarely became, in fact almost never became, a major issue. I was in a lot of debates with Richard and others, and I think the press was disappointed at how little we fought except on free trade and North Korea policy.

So the Obama Administration came in with not a lot of locked in campaign pledges on China, and I think the overall trend, therefore, has been continuity from the Bush Administration, and in many ways continuity of the China policy we've had for the last 30 years. And I think that's been welcomed in China and generally welcomed in the region.

So what am I supposed to say? Well, it is early, and I suppose that since administrations that come in with a lot of controversy about China take about six months or a year to realize the right way to do China, it's possible that the lack of debate about China this time has created a false sense of security about the politics of U.S.-China relations. I, personally, don't think that U.S.-China policy has really been tested, politically, for this Administration. I also, personally, think that there is not a clear overarching Obama foreign policy doctrine.

Having worked on the campaign, what I mostly saw, and I'm glad for it, was a kind of pragmatic adjustment on issues from Iraq to Afghanistan to North Korea by the Obama Administration. Now, pragmatism is a good thing, but it does leave open questions for a lot of people about what are the guiding principles of Barack Obama's foreign policy strategy, particularly since a large part of his political capital is going into quite ambitious domestic endeavors like health care reform, climate change, and, of course, the all-important economic recovery.

So there are some things that I, at least, will be looking at or some questions I have that I will be watching over the coming months. I'm generally

optimistic. I think the Administration has a very strong Asia team. Many of them are friends with me and Kevin, but you should not hold that against them, at least not in my case.

First question I will be watching is, what is the overall strategic framework for U.S.-China policy? In general, I would argue that since the mid-1990s the U.S. approach to China has been for Clinton and Bush some combination of engagement and balancing. And I think these are generally complimentary. Another way to put it, sometimes people have said it's a combination of direct engagement and then a rim approach, or an outside in-approach and an inside out-approach.

If you want to see the two versions of this, Richard Bush, Jeff Bader and I wrote two different pieces for the Brookings *Decision '08* book on how to handle foreign policy. We wrote the Asia-China chapter, and I think our chapters were highly complimentary, but one emphasized the bilateral piece, the other the external piece.

Another place where these two views are captured is Bob Zoellick's stakeholder speech on China, "The Responsible Stakeholder," emphasizing building cooperation, and then "The Armitage-Nye Reports" of 2000 and 2007, the subtext of which was to get China right you have to get Asia right. You have to get your alliances right. And therein lies a very complimentary holistic American strategy, but also some tensions as well.

One question I have is that sweet spot for the Obama Administration. So far I would say they have successfully used both gears pretty well. They signaled a quite strong intention to build a personal relationship between the President and Hu Jintao to cooperate with China, including on new areas like climate change, but at the same time Secretary Clinton and the President have been very careful to stop in Japan first and invite the Japanese Prime Minister first, talk about our allies as the cornerstone.

Some people have noticed the migration recently in rhetoric and declaratory policy from saying the U.S.-Japan alliance is the cornerstone, and to it is a cornerstone. I haven't seen that, but for the most part I think they've pushed both levers pretty well. But we're very early on, and in some ways a visit is the easy part. I think there are some hard choices coming up that will start to bear out where the emphasis lies. There are calls, as an earlier speaker said, for a G-2. I don't think that has much traction in the Administration, but it does in some quarters, particularly with respect to climate change and energy issues.

So I'll be watching that, and for me I think the President's trip to APEC, to Asia in November, will be the time when this is really articulated. There is also talk of an East Asia and strategic report out of State, or DoD, or the White House which will lay out the Asia strategy. So that's what I'll be looking for to see if this early movement is going to continue.

Second question which is related to this is, how will the Administration respond to the PLA military buildup? The Administration has restarted nil to no talks, that's good. They've emphasized transparency and dialogue, that's good, we need that; but it's a necessary but not sufficient piece of the policy given that the PLA military buildup and the U.S. trying security interactions are not static.

China is increasing, as you all know, its defense budget at double-digit rates when in the rest of the region they are essentially flat or growing at one or two percent with new capabilities in access denial, threats to carry out battle groups, threats to U.S. base assets, cyberspace, a fourth generation PLA, fighter aircraft. There's a lot happening, and I think the Administration is going to have to make some calls on this one.

One of the big ones will be F-16 sales to Taiwan, which I personally think will happen, but that will be one thing I'll be watching. I think it would be a mistake not to provide Taiwan with a defensive capability that needs, in light of this increased threat, but it hasn't happened yet, and it's not convenient, and it's never convenient.

So those are the kinds of things worth watching. Another one would be how we build our alliance relationships with Japan-Australia in the future and issues of missile defense, and how we talk about China in the nuclear posture view. A lot of these things will give signals to our allies in particular, and, of course, to Beijing about how we see the role of military balance of power and how we avoid a security dilemma on the one hand, and on the other hand avoid a weakening of deterrents, dissuasion and stability.

The third area, which is more Kevin's area, is economic policy. I recently a U.S. -- senior U.S. official say that so far the strategic and economic dialogue talks had been nasty, ugly, there's been backbiting, there's been name-calling, there's been ad hominem attacks, and that's just between the State Department and the Treasury Department. You were there for that, I think.

(Laughter)

MIKE GREEN: So far, the SEND is extremely ambitious, but it seems to me -- and Kevin may know better -- it's still form over substance. I think there's a general agreement the strategic part of the dialogue will focus on climate change, but the economic part of the dialogue broadly will address global imbalances, financial liberalization, but I'm not sure that we and our Chinese colleagues are in the same page about what the priorities should be, or what the output should be, or how it should be measured.

The general sense is we have a year, maybe, something like that before the Congress and the press starts asking hard questions. But meanwhile we have things like protectionist amendments to the cap and trade bill and other movements on the Hill that are putting pressure on this relationship, economically, and that could increase.

Finally, the fourth question is -- and last question -- is about the role of human rights and democracy in the Administration's China policy. And here I really am somewhat perplexed and less positive than I am on some of the other areas of the Administration's China policy. I see very conflicting signals, unless it's a very sophisticated strategy that I've missed.

I think Secretary Clinton -- and I don't think she did this deliberately but -- suggested there's a link between a softer tone on human rights and the fact that we need China to buy treasury bills. The same news cycle those two signals were put out. I don't think it was deliberate. But then, more recently, the response to the crackdown on Xinjiang, has, I think, been met with a fairly muted call on restraint -- for restraint on both sides -- when, in fact, the coercive power of the State lies with Beijing, and therefore a greater responsibility.

On the other hand there was a quite surprising and public call for the PRC to reflect on Tiananmen on the anniversary on June 4th. So it's a big contradictory -- my sense is the Administration has not found its sea legs, has not found its bearings on human rights and democracy policy, generally. And I say that looking at Iran and the response there, the President's speech in Cairo, which I thought had an awful lot of relativism, but then his more recent speech in Accra in Africa was fantastic talking about the importance of governance.

So it may be that they're sorting this out and shedding some of the baggage of Iraq and some other political issues of the past. But here there's great confusion, and I think if the Administration doesn't find a way to find a steady and consistent, public and private -- and I think it has to be both -- public and private presentation of the importance of governance, human rights, and democracies to the U.S.-China relationship, they're going to regret it.

I speak from experience here because it may be a fairly low level of pressure now, but if this is the mode we're in, in October and November when the President is getting ready to go to China, and all of the White House reporters and foreign policy generalists, not the Asia experts like us, start looking for their book on the trip, this is going to figure very prominently.

The President is going to have to make hard decisions: Does he see dissonance in China? Does he go to worship in a church? And that's where the crunch is going to come. And if you haven't sorted that out, sorted out your strategy and started laying the groundwork privately with Chinese counterparts, and publicly with the Congress and the press, you get in big trouble. So that one, I think, of the four, is most unsettled to me.

But overall it's early, it's a strong team, and I think the early movements are quite promising, and I think there is a bipartisanship now to U.S.-China that certainly is encouraging. We'll just have to watch these areas.

Thanks.

ANDREW YANG: Thank you, Mike. We have Kevin coming just in time to present his paper. Now I turn to Kevin to discuss these economic issues.

KEVIN NEALER: My apologies for being late. When you walk into a session and the ideas are as well formed as in Dr. Cheng's paper and as complete as Michael Green, the temptation and emotional maturity indeed would require you just shut up and say, "Yeah, I'm with the two of them." Nonetheless I'll try to extend this to 15 minutes. Thank you for including me.

To follow up on what Dr. Green just said, I think there are two versions of policy guiding every major relationship that the U.S. has, the stated policy goals and the policy that arise from current events. The first of these are carefully crafted statements of the President, the Secretary of State, and others in our government, and the position papers that are now available, magically, in the State Department website, and the all-too-numerous reports to Congress. American goals and policy assumptions about interests are recorded in these careful formulas that display a lot of confidence and purpose.

The first week at the State Department I was in my A-100 training class seated with colleagues that had PhDs in Central America relations. The director of the class said, "I'd like to prompt a discussion about Nicaragua," -- which was a burning issue at the time and will be again -- "what do you think about U.S. policy?" And there ensued a nearly hour-long discussion which the Asia hands sat out and watched with humility as people steeped in the region described what they thought was going on in the region and what the U.S. was doing good and bad. It was a very erudite thoughtful conversation at the end of which the instructor said, "Fascinating. I've learned a lot."

Do any of you know what the United States policy towards Nicaragua is? It was not enough in that occasion just to recite what was in The New York Times and elsewhere. You actually do have these things enshrined in statements. They're less subjective than we might want them to be.

I think, as Michael said, if you look what the President has said about the relationship with China, he's chosen words like "positive and constructive." He's expressed an interest in strengthening cooperation across a broad range of issues, along with discussing with Chinese leaders such issues as the financial crisis, North Korea, Iran, Afghanistan, Pakistan, Sudan, the full suite of international relations. Obama has called for increased military-to-military dialogue to avoid the kind of incidents we've seen in the South China sea.

He's made clear in meeting with Chinese officials on a personal level that - and I'm quoting from his own statements -- "Promotion of human rights is an essential aspect of U.S. global foreign policy." Allowing Mike's fourth question as a neuralgic issue, I think were we in the meetings with the President and senior Chinese leaders, we and they would be unconfused about the place of human rights. I think the vocabulary,

the political vocabulary inspired by deep and what Richard and others of us saw in the campaign as personal and thoughtful views about the place of human rights, that conversation is pretty well developed. I don't say it won't change and it won't be adaptive, but it's mature and it's driven from the top. Personally, I've got a lot of confidence in it.

Among the more contentious statements the Administration -- the President has been unambiguous in calling for China to play a greater role as a global leader. Now, as Michael said, Bob Zoellick used that phrase, but in another context. Here it's occasioned a lot of concern when it comes out of the Obama Administration officials and the President himself. They're wary about promoting China to that status. I got to say, honestly, I find such concern remarkable.

It would be surprising if this, or any other administration at this moment, didn't choose to, or chose rather to disregard or devalue China's role, given the past few decades of economic develop and the very changed circumstances in which we and China find ourselves. Every administration, I think you'd allow, in the past 30 years has adjusted its expectations of China and every other country based on the historic changes that are going on in Asia now.

Ambassador Jeff Bader, who is Senior Director for Asian National Security Council, has described the President as not conflicted about requiring China to play a role in world affairs commensurate with its weight in the international community.

Again, frankly, I don't know what alternative Jeff and the President would have. The notion had its clear antecedent in the responsible international stakeholder language that Bob Zoellick used and I think, if you extend this metaphor of corporate governance, I suppose the pushback from critics of the insistence on such a Chinese role is that a stakeholder has an interest in how things turn out that only managers of the global system can exercise leadership responsibilities.

I got to say at a personal level, I confess to preferring that we require Beijing to have obligations in the international system and to develop habits of cooperation as opposed to the possibility of that China behave solely as a passive investor collecting dividends while quietly resting on paid-in capital.

Another rhetorical change that's been pointed out, and Michael's hinted at this as David Shambaugh and others have prophesied, that there will be a decrease in the use of the term "hedging" in describing American policy towards China. That well may be, but again at the hints we get from the interior dialogue with Chinese leaders, the President and others, I think, have been very clear in saying that U.S. policy is going to remain flexible; indeed that Chinese policies and their direction are still unknown and that the U.S. intends to continue to be adaptive and aware of the changing circumstances.

Again, Ambassador Bader and others have noted that President Obama is not satisfied with the current state of the trade relationship, and Michael's hinted as has Dr. Cheng, at the complexity of that. I want to come back to that in a moment.

One of the things that I think we'll probably hear more about tomorrow from colleagues who are authentic experts on the economy is this notion of rebalancing -- a phrase the Administration uses often -- not only to talk about goods and services trade but sustainable development, user resources, and other policies relating to China.

I said at the outset that there are two sources of policy. The second source is every bit as real as the first, and it's obviously the product of events. The real world intrudes in this messy, indifferent way onto those carefully negotiated languages of speeches and position papers -- Belgrade Embassy bombing, EP-3 -- we know all these inflection points far too well. They're wonderfully unpredictable, these events, and democratic, if you will, in their consequences for the nation, for nations and policymakers. They just splash themselves onto the pages, and they force instant reactions and adaptivity, and course adjustments.

I want to talk about how the financial crisis has, with due respect to both Dr. Keidel and Gene Ma, who we're going to talk about this in a comprehensive way tomorrow, I just want to talk about what it may have -- what we ought to think it may have done to the Obama Administration. It's probably not possible to exaggerate how it's sucked the oxygen out of everything else in Washington. You have a deep sense of this already. I know you appreciate it. It has pushed the reset button on global policy choices, to borrow a phrase from a Russian vocabulary.

Most of us in the foreign policy community and security community are going to persist in talking about these economic events as belonging to the world of soft issues. But I got to tell you, the impact on policy planning, on leaders' time is anything but soft here in town. We've got the IMF telling us that global economic activity is set to contract by 1.4 percent. That simply hasn't happened, you know, since World War II.

The World Bank talking about GDP growth projections in the developing world, the people least able to adapt, declining by, like, 2.1 percent as against 2008 levels. And world Bank analysts -- and this is the one that really scares the devil out of me -- I got involved in international trade law in theory because I saw this graph as an undergraduate that showed world trade, and it was this wonderful, sublime pattern of growth since the 1930s. And I thought even a very mediocre intellect like me can probably make money working on trade policy against that kind of curve. I'll take that bet.

This year for the first time ever, it turns out to be a bad bet. You've got Pascal Lamy of WTO out there talking about -- well, the World Bank says world trade will contract by six percent by end year, and Lamy, in an apparent bidding war with the World Bank, said, "No, no, no, it'll be 10. It'll be off 10 percent." That's just breathtaking, and it's hard to exaggerate what that does to policymakers. Okay, what

possible relationship does this have to Sino-American issues? Well, I think first it changes the assumptions about uninterrupted prosperity and mutually beneficial development in an increasingly stable world. These are shared American and Chinese assumptions.

What does that do to the train of decision-making? We don't know and they don't know yet, I would say. And second, there's this role of government issue as, here in the United States, more than \$1.5 trillion of what was the private sector balance sheet, has just been assumed by the U.S. government. We've had a corresponding jump in, I would say a resumption of government role in China, though in my last trip I was a little startled to hear of a senior official say, "We worry about this trend where statism is on the rise in the United States.

Those of you who talk with Chinese economic officials a lot and look at the blogosphere on this and are overly-accustomed already to this idea, this snarky line about, well, communism -- capitalism saved communism, now communism is saving capitalism. It's not that good, is it? It's a lot messier. And what that means in terms of the policy interaction is, I think, is still an open bet. I don't think we know.

But segregating from the larger economic concerns that are taking senior leaders' time, Michael's issue of trade policy and its direction there, I think you know, we've shared some fundamental assumptions about the economic crisis. I'm not sure that neatly transfers to our assumptions about what declining global trade may mean for us both.

I took it as a very encouraging sign several months back -- that the Obama Administration -- and I should say they have gotten no credit for this in the editorial press, this is one of the things that editorial board writers -- well, they believe that Democrats in control of the House and the Senate and the White House, it's a stop-them-before-they-kill-again approach to trade policy, Democrats always do the wrong thing on trade. I would point out that there's little real evidence of that, not just in the Clinton Administration but prior to that as well.

But the real danger the Administration faced when it walked in the door, the event, the messy event that required a presidential judgment early on, was the currency manipulation report. They avoided what I think would have been a needless crisis over that, and I hope Burt's going to talk tomorrow about this to some extent. We've seen, I think, generally, a turning down of volume on the currency issue, all of which I count to the good.

The next thing to watch on the currency and trade front is the strategic and economic dialogue, but I want to leave you with a couple of danger signs on the near-term horizon, and again they're likely to be inescapable. One is the WTO case that we saw, what, a week? Two weeks ago be, over China's export tariffs. This is a way of chastening, I believe, of chastening China on resource pricing and how deep and authentic its commitment to WTO principles is, watch that space to see what happens.

WTO always involves negotiated solutions, so let's hope for the best outcome, but that's largely in the hands of Chinese officials.

The second case within the past couple of weeks has been the ITC's preliminary ruling on Chinese tires. I know, I know, it's a trade case, who cares? These things have an automaticity; they all work out. It's just trade policy, it's all fine, except that it's under Section 21. Five times the Bush Administration refused to accept one of these surge cases that was tailor made to address rises in Chinese imports. It goes on to the President's desk, necessarily, in mid-September. Open your calendars and discover with me that that's about the time of the G-20 Summit. Gee, if you were going to load on, you know, the political weight of issues, you couldn't really do the timing at a much less propitious moment.

And then, to close, there is this ambient set of trade policy issues that nobody has a script for. We recently saw a case involving chicken imports and exports. We know all too well these high profile cases, and here involving toys, toothpaste, pet foods. And I would say as a major artifact the China Milk Scandal, a fundamental doubt in this country, the political level of retail politics about the safety of Chinese products. That isn't going to go away, and I think it's going to intensify in the time ahead.

We have both engaged in, by domestic law changes, that notwithstanding the fact that both countries have committed the offense, somebody's going to pull the trigger, and there's going to be a case, and we're going to have to answer for that in policy terms. So, and I think that's going to be kind of -- that's going to kind of roll along with us over the next year.

I would note that the reason the China relationship didn't become retail political fodder outside of the fact, as Mike said, it was experimented with by Senator Clinton and it didn't work. Additionally, it was because Barack Obama at a personal level had a sophisticated and well-honed view of what he wanted out of U.S.-China relations. I'm resisting the temptation to ascribe superhuman abilities to the President across the range of issues, but those who worked on the campaign saw this idea tested time and time again. The President had an instinct, and he continues to follow that.

The financial crisis in some ways reinforced that instinct towards cooperation and moderation, but I would also say the trade dimensions of the relationship are likely to test that instinct in important ways, and I don't think -- I'll join Mike in this: I don't think we know yet, nor does the White House necessarily know, how all of those are going to turn out.

That's a rambling discourses edited back, and I know I've gone over time, but I thank you, Mr. Chairman.

ANDREW YANG: Thank you, Kevin. Wonderful analysis. In addition to presiding over the session, I was also given the responsibility to lead the discussion. I'll be very brief and invite more input from the floor.

My impression is that I find the three presentations are very complimentary to each other, with Dr. Cheng providing a very useful analytical framework to identify the four sets of triangular relations influenced by cross-strait actions.

And also with Mike Green's four big questions relating to the Obama Administration's policy towards China in the future -- he also gave a good sum of the key areas for us to pay attention to.

With Kevin, I think that he provided a very interesting and vivid description of the dynamics within the Interstate Commerce relationship by at least eight major economic issues, and he also identified that U.S.-China relations will be shaped by the policy goals and events.

My question to Dr. Cheng is that, how are you going to define the predominant power and also the strong power, and also the weak power in the course of conducting interactions among those three actors, given the fact that they are being shaped by cross-strait interactions? You identified that cross-strait interaction is a major factor in influencing the exercise of their influence, but how are you going to measure the power given by the United States and China and, certainly, Taiwan, if Taiwan was the weakest part of the triangular relations, given the fact that the Taiwan also providing its initiatives to change the cross-strait picture in the last couple of months? Would you be able to elaborate on how are you going to define the measurement of the weak power, or strong power, or predominant power of these three major actors?

To Mike Green, you identified four big questions shaping the Obama Administration's China policy. My question would be, what is the role of the Taiwan Relations Act in the big picture? To my understanding, in the past China also considered Taiwan to be the most important and crucial factor in shaping U.S.-China relations, but you didn't identify what the Taiwan Relations Act can be, in terms of shaping U.S.-China relations? It seems to me that it is not in your identification of the questions set by the Obama Administration, so can you elaborate on what would be the role and function of the TRA in the course of U.S.-China policy in the future?

For Kevin, my question is do you think U.S.-China policy will be shaped by U.S. policy-goers or by events, because you set up two sets of paradigms shaping China policy here. One is policy goal is policy arising from events, and if there is a conflict between goals and events, what would be the choice for U.S. government in deciding its policy towards China?

And, secondly, you emphasize the trade issue and economic issues in the course of shaping future U.S. China policy. What would be the role of the U.S. Congress in this process, because you're only providing us with the Administration's policymaking concerns. But in the course of deciding economic and trade issues, Congress certainly

plays a major role here. What would be the Congressional role in the course of shaping those events in deciding policy towards China?

Those will be my three questions to the three presenters, and the floor is now open. I welcome the audience to raise their questions to the presenters.

We'll start from here, and the second row, and the third row here. We'll take about 10 questions each time and ask the presenters to give their response, and we'll come by with the second set of questions.

QUESTION: Francis Kan from the Institute of International Relations. I would like to pose a very easy question to our director, Dr. Cheng. You mentioned in your interesting analysis, four types of interrelationships, and you have two groups of factors: one is U.S.-China relations; the other is Taiwan-China relations. It seems to me that your precondition is that Taiwan-U.S. relations will remain stable. But my question is whether -- I mean even with the U.S.-China relations maintaining stability and cooperation, as you mentioned in your diagram, and Taiwan-China relations remaining stable, would it be possible for U.S-Taiwan relations to face some difficulties?

I think that when both sides of the Taiwan Strait talk about confidence-building measures, that will actually have great implications for U.S.-Taiwan military cooperation such as arms sale, and that actually touches upon a very core interest of the United States. Would that be one of the occasions that will actually put Taiwan-U.S. relations in a very difficult position?

ANDREW YANG: So the next one, Admiral McVadon?

QUESTION: Eric McVadon, Institute for Foreign Policy Analysis. Mike and Kevin, why do you think the South China Sea confrontation ended so surprisingly and so quickly? Did it reflect what some of us thought was a decision that the U.S. and China had more important things to do together, and is that a reflection of something quite good that that decision could be arrived at, at least once? If you remember, they even reversed the decision to send reinforcements and escalate and so forth, so I'd be interested in what you know.

QUESTION: Chia Chen, free lance correspondent. First to Dr. Cheng. Thank you for organizing this conference. If possible, could you put your triangle back on the screen?

ANDREW YANG: If you will be more precise, we're running out time here.

QUESTION: Suppose this in the future, all the dotted line disappear, then what's going to happen? And to Dr. Green, you mentioned climate change. Climate change basically is due to the various country, years, lifestyle, and the industrial manufacture. So what's the mentality Obama should have when he go to the different

countries, and this time is China? And also that more important, now so-called this cap and trade deal, this really has nothing to do with climate change. This bill basically is done by the economics and lawyers, no really input from the scientific. I think that he was going to have big problem in going to China and also going to Copenhagen. Thank you.

ANDREW YANG: All right, anybody from the second row here?

QUESTION: Thank you very much, and just one quick comment on Dr. Cheng's presentation, and one quick question to Mr. Nealer. You mentioned Obama must take views in China dominant, and I think Premier Wen Jiabao's remarks on the group of a two-concept is a good indication to show China still realizes this relationship with the United States is still complex, but continues to be strengthened. So when Wen Jiabao's comment while in the Czech Republic was a very good comment. This media turning point before the comment, and then maybe, as you mentioned, the many Chinese analysts were optimistic. But after that, as the Obama Administration continued to form a China policy, and more and more Chinese analysts realized this relationship still complex.

Second, my question to Kevin Nealer -- you used the term "stated policy," Obama stated policies. And I think there maybe is a prepared, long-planned China policy for the Obama Administration. What do you think is the difference between stated China policies and planned, or prepared, or organized or adjusted China policy? Thank you.

QUESTION: I'm Albert Keidel, formerly of the Treasury Department's Asia Office. Michael Green and Kevin Nealer, two questions quickly. One, what do you think is going to happen at the Strategic Economic Dialogue, in terms of discussion about what caused the global financial crisis and China's role in it as sort of a scene-setter for what the U.S. might request the Chinese to do as part of their response to the crisis?

And second, what in terms of events which is something that Kevin mentioned, specifically, what do you think the effect would be on this relationship if China's global trade surplus really shrank dramatically and quickly? I mean the June numbers show that it's dropping, and it drops even faster if you allow for the falling prices of oil. How would that change, in other words, not the bilateral but the global trade position?

ANDREW YANG: Richard?

QUESTION: This is for Mike. I really agree with you that for China policy we need a good mix of inside-out and outside-in, and that getting Asia right, et cetera. But the assumption of all of that is that Japan plays its proper role in that game and sort of works with the United States to manage the rise of China. But Japan is changing, and what do you foresee in the political changes that are taking place in Japan about Japan's will and capacity to play that kind of positive and robust role? Thanks.

ANDREW YANG: Okay, two more from this row. Ms. Tsao?

QUESTION: I'm Nadia Tsao. I just have a quick question for Mike. You mentioned basically the continuity of the Obama Administration on China policy, but during the Bush Administration we heard about hedging frequently. But do you think that this is the, you know, the strategy will be continued? Because so far we haven't heard much discussion about that. Thanks.

ANDREW YANG: And the gentleman in the back?

QUESTION: Good afternoon. My name is Sun-won Park, a CNAPS Visiting Fellow at the Brookings Institution. My first question goes to Dr. Michael Green. Do you really think China is rising? What's your view on China's rise and its impact on U.S. foreign policy? And also, what do you think is the most desirable combination of China and Japan relationship in making a more stable U.S.-China relationship in a good sense?

My second question goes to Dr. Kevin Nealer. Do you think that there is any possibility the Beijing government will decide some significant amount of U.S. treasury bonds as a means of diplomacy, even in the case of hypothesis?

ANDREW YANG: One more question from the middle here, and we'll come back to the panel.

QUESTION: Mary O'Loughlin, DOJ. This is for Professor Green's comments and, in addition, Mr. Bush's comments. In relation to how Japan is affecting U.S.-China relations, what about the Korea issue?

ANDREW YANG: Right. It's time for the panel to give your response to the questions to the floor, and start with Dr. Cheng.

TUAN Y. CHENG: U.S.-China relations are complex. The overall pattern on U.S. perspective or Chinese perspective, according to my interviews, doesn't reflect the overall opinion of the government. I think, so far, many Chinese are quite optimistic about the future of U.S.-China relations.

And another gentleman raised a question back there -- if all the dotted lines disappeared, that will cause type D, and that's the current situation. Three sides of relations are all positive, so this is the ideal situation. If U.S.-Taiwan relations are stable all the time, as Professor Kan raised, and I think in terms of my understanding, Taiwan will need the United States for support and help, unless the United States wants to abandon Taiwan. Otherwise, I think Taiwan always like to keep the tie. Maybe in the case, as Professor Kan mentioned, the CBM -- if the negotiation or discussions take place across the Taiwan Strait, Washington would not be very happy about the situation. So, I think if we want to conduct a discussion on CBM or negotiation with the other side, then prior consultation with Washington is required.

Another issue raised by Andrew is how I define power, and this is very difficult. Being a professor in political science, I know the basic concept of power, and defining power is always controversial. However, I think among the U.S., China, and Taiwan, it's not so difficult because of the difference between the three countries, and, no doubt, the United States is the most powerful followed by China and then Taiwan. Defining power in relation to the United States and China might change in the future, however. We know that China is trying to accumulate more national power, but overall I think so far the United States is leading.

Thank you.

ANDREW YANG: Mike?

MIKE GREEN: The TRA question from Andrew I would answer by saying that the combination of John Huntsman, Kurt Campbell, Jeff Bader, Jim Steinberg is one of the best combinations of the Taiwan Relations Act that we've had in some time, at least for a few years anyway. And I think everyone should have a very high confidence in their experience and judgment and history on this issue.

I also think that the more positive trajectory and across-Strait issues means that in some ways the TRA is not as controversial, but there are two things that do worry me a little bit: One is that in some ways the TRA as a product of Congress has always relied on a powerful right flank, and I don't think -- I think this Administration is as unafraid of the Congress on this issue than any administration has been since the act was passed. They're just, I think not that afraid. Richard or others may disagree, but I don't think the lobby behind the TRA is as powerful or frightening to the Administration as it has been in the past.

And also, while the managers of this and the foreign policy team are quite strong, I don't think the understanding of the TRA or of Taiwan's strategic position in Asia is that strong among senior, the senior-most people in the Administration. I'm not in the Administration. David Broder says that Rahm Emanuel and others are making the big foreign policy decisions, and I worry a little bit about the financial crisis, climate change, transnational threats and so forth competing with the TRA, and so that it's inconvenient to send arms sales notifications to the Congress. It's a little bit vulnerable, potentially. I can see these issues as problems for it, and I think those who know and understand the issues have their work cut out. And I've got to socialize the whole Administration to the importance of this.

And Eric's question -- I think, generally, it's a glass half full, glass half empty story on the South China Sea. The glass half full story is the de-escalation, mutual, successful de-escalation, glass half full. The glass half empty is, I mean the reason we resolved it is because we essentially agreed to disagree on the fundamental cause of the confrontation, and we still haven't resolved that principle that the U.S. Navy and our position, of course, is that we need maritime safety procedures, NMCA. We

have the right to navigate in these waters, and China's position is we don't, and we're not going to talk to you about the specific things that make it easier for you to do it. We have not resolved that.

Meanwhile, the operating tempo of the PLA Navy and other naval forces in China continues to be quite active. So I think it's going to happen again, and we're going to have to, hopefully, work through these.

Kevin is probably better-positioned to answer Albert's question about the SES and ED. I, personally, if I were on the inside, I would not advise having a great big post-mortem on the causes of the financial crisis. That way lies madness. I mean, and would create, I think, bad will that would make forward-looking work difficult. Unless there's a need to understand these imbalances in order to address them, I think there are more creative ways to get at the future.

I can see a scenario where the U.S. savings rate stays somewhere four and six percent, and Chinese exports start to decline, and where you start having displacement and arguments against economic convergence, then greater arguments in the National People's Congress and elsewhere for more protectionism, for more restrictions on foreign direct investment for more by China legislation. So that's one reason why I think the FC and D finds itself not just managing these two largest developing economies but a very dynamic situation that could really test us. Interesting, Kevin's view.

Nadia asked about hedging, Kevin mentioned hedging. A lot of academics and journalists talked about hedging during the Bush Administration, but the Bush Administration never talked about hedging. Similarly, the Clinton Administration never talked about hedging, and even the word "hedging" is not an accurate description, I think. The military term that Pacific Command uses is, "reassure, dissuade, deter," and then, when they're in private company, "defeat."

But really, I thought Tom Christensen, when he was Deputy Assistant Secretary for China, put it very well. He said, "This is about shaping strategies." We're trying to shape and China's trying to shape our behavior. And the military and strategic component is an indispensable part of that. Hedging suggests a kind of passive storing of ammunition in the cupboard in case the Chinese go off the reservation. And I don't think that's a useful strategy or an accurate description.

And China's as a rising power, I like very much Vincent's earlier presentation of the comprehensive national power assessments. I think there is a very important part that is not captured by Chinese scholars on this, and that is soft power. And, actually, there have been efforts to measure soft power and diplomatic influence. Chicago Council on Global Affairs did polls; we did surveys at CSIS, and there are Bates Gill and others who have done studies. What you find is the actual soft power China has in Asia and Sub-Saharan Africa, in Europe is declining, not increasing.

Although, interestingly, in the Chicago polls, most Chinese think that it's increasing. And the other ironic thing about the Chicago poll is most Americans think that our power and influence in Asia -- or influence and our soft power in Asia -- is declining rapidly. But in the survey -- and the Chinese public agrees, so we think we're terrible, the Chinese public agrees with us, but in Indonesia, Korea, Japan, and the rest of the region, they think that over the last 10 years our influence has increased. So, maybe we and China, being the big powers, understand Asia the least, I don't know.

But if you think of comprehensive power, that matters, and I think that when you talk about China as a rising power that has to be brought into it. That's why I asked earlier about the alignments of course.

Then on the extremely unfair question about Japan, there's an election now set for August 30th, the democratic party will probably win. This will be like -- is there any Japanese media here? -- this will be like turning the keys of your BMW over to your -- I won't say it, but it's going to be a wild ride. But because of the DPJ has a very populous agenda and very deep divisions internally, and I think we'll have quite a bit of fluidity and uncertainty over the next year or two, three, as Japanese politics sorts itself out, but the center of gravity in Japanese politics is still, I think, center-center-right, squarely with alliance with the U.S., and some combination of engaging and balancing China. I don't see that changing in any fundamental way.

It may get a little big muddy and muddled over the coming years, but it does matter -- and the first thing I asked about, which is what was the strategic concept the Administration has, because this will test the patience of the Administration at more senior levels for managing the sort of two-tracked outside-in/inside-out shaping of Asia. Our Japanese friends may end up really testing how seriously committed we are to this over the coming years.

And there was a question about Korea, but if I said, Sun-won, that if we had a really stable U.S.-China-Japan relationship and a concert of power, you would hate it. But I do think we do -- I think we have a relatively stable triangle, a trilateral relationship for the most part. I think it was important to demonstrate a few years ago that the U.S. does not have an interest in deteriorating Sino-Japanese relations, and I think we, the Bush Administration, demonstrated that to all parties pretty clearly.

How we manage that triangle is tricky. The Obama Administration is quite keen on the idea of a trilateral, which Beijing liked at first up to the level of diving globe and now for some reason has reservations about, which Seoul disliked but now seems more comfortable with. I suspect that it's a bit artificial to think you can manage the strategic relationship with a trilateral meeting even though the trilateral relationship among the U.S., Japan, and China is so important. But I see it as basically stable for the foreseeable future, but not so stable that our friends in Seoul have to be nervous.

ANDREW YANG: Thank you, Mike. Kevin?

KEVIN NEALER: Andrew, first to your question as to the role of Congress having been dismissive about how much damage it could do on trade policy. The role of Congress, I think, is pretty clear. It will be unrelenting and unsatisfied on U.S.-China relations at the level of economic balance. And I would remind you that next year is an even-numbered year here, unfortunately.

And so the pressure won't quit to put a tougher face on policy. It may show up, in fact -- I talked about some of the most neuralgic trade issues -- I'd add to it the comment before about environment. I think environmental protectionism will be one of the new flavors that Congress will experiment with in the year ahead, and as a failed trade lawyer, I'll tell you a lot of it's -- would be perfectly WTO legal, so watch that space. So it's a source of concern ongoing.

Admiral McVadon, the South China Sea, I think my short answer is yes. I think you're exactly right. It put us in mind of the danger of having ultimate U.S. security and Chinese security interests determined by 23-year-old men in fast boats with big guns.

I think it forced and deepened an instinct that Secretary Gates has, and it's a very personal instinct to get more out of the mil-mil relationship. I think we've already seen one serious attempt by the Obama Administration. I'm not sure how satisfied they were. If the Chinese want to miss a huge bet, fail to deepen military to military ties, and I would say that would be a huge mistake for them, and I would -- my sense is the Administration is unconflicted about seeking deeper military-to-military ties and understanding with China simultaneously with Taiwan.

As an aside to Chinese friends many times said, you would hate us not to have better relations with Taiwan, and with all respect to Mike, who otherwise -- I didn't say this, I'll have to -- I feel constrained to say it, who did leave the Obama Administration with a very strong hand to play, historically so. On the issue of arms sales, I know this is anathema, but at some level -- sorry, it's just so 19th century -- how about adequately dealing with the security needs of Taiwan without the constant metric: Why do we have to come out and test ourselves on this? Answer the first order of questions first, which is what a military-to-military relationships look like. We're at this virtuous moment, please let's use it. Let's put the pressure on Beijing to increase transparency, increase understandings of what to do in the event as incidents at sea and that kind of thing that you've worked so hard on for so long.

Stated policy differences versus the press of events, events always win, right, over rhetoric, but I would say the rhetoric is sincere, begins at the top, and has been internalized by the President and the people around him, the team that Dr. Green's described. So don't devalue it. It does matter. It's the touchstone, it's the starting point.

S&ED, you know every time you raise your hopes about this conversation, you get them dashed. I said to a friend yesterday who's working on the process, how are you setting the table? He said, "Well, there's a significant disagreement. Is it S-ampersand-ED or S-plus-ED. We think it might be better to kind of, as branding, to put a

plus sign in there." And I'm thinking, boy, I almost don't want our Chinese friends to know that's what we're talking about.

I think as an organizing principle in the same way that SII was so useful, it will have durable value, and I do have hope for it in coping with some of these macroeconomic policy challenges, though, you know, to Burt's other question, what if we faced declining Chinese confidence about their role as an export economy? It's a lot -- this is a game any number can play. I don't have a monopoly on this, but I think an economically unconfident China, our Chinese friends wake up every day and say, "We are the most unstable country in the world. We are always on the cusp of becoming impoverished," and what if some of that starts to play out in global markets?

As I said at the outset, I think it starts to change assumptions in ways that neither we nor they can fully predict right now. As to facing waking up one morning and deciding to off-load treasuries, we have seen this film before. We saw it in the 1970s, what's allowed -- they're holding over \$700 billion -- Burt will give you the right number -- in U.S. dollars, some 10 times what Taiwan currently holds. But why do they hold that? Because they want leverage over the United States? No, because trade is nominated in dollars. Some things you can't be bought in other than dollars like petroleum and airplanes. They don't have a choice.

And, incidentally, it's been a really fine choice in the crisis to be holding U.S. debt, in fact, in the form of treasuries in particular. It's been a great bet, right? Don't you all wish you had made that bet over the past 18 months, two years? They do it for the same reason that Saudi Arabia does, it's self-interested.

I do think, if I can be prescriptive about one thing about the way the Administration in the S&ED and otherwise talks to Chinese friends about dollar holdings, I'd stop thanking them in public. They don't do it because they like us. They do it because again, it's self-interested, and I expect them to continue to do so. And if they wake up one morning and decide it's a bad debt, I don't think there's any amount of bipartisan glue that's going to have them stick to those investment choices if they're bad choices. So I'd turn down the volume on that, substantially, and rest assured that doing what's interested is, in fact, pretty predictable for the global system and not a bad bet.

ANDREW YANG: Well, I think we do have time for a second round of questions here, but I would like to invite all the participants to thank the presenters here for the magnificent presentation and responding to the questions. And thank you for your contribution. Thank you.

(Applause)

ANDREW YANG: Yeah, the next session will be resumed in 15 minutes starting at the 3:30.

[RECESS]