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PANEL ONE

CHINA-UNITED STATES RELATIONS UNDER NEW LEADERS

CHINA-UNITED STATES
RELATIONS UNDER CHANGING
CIRCUMSTANCES:
A TIME OF NEW BEGINNINGS

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Opening and Keynote Address: A New Pattern for Major Power Relations

Moderator:

Wu Xinbo, Professor and Director, Center for American Studies, Fudan University

Welcome remarks:

Yang Yuliang, President, Fudan University

Richard Bush, Senior Fellow and CEAP Director, Brookings

Keynote speaker:

Xie Feng, Director-General, Division of North American and Oceanian Affairs, Ministry of Foreign Affairs, People's Republic of China

Panel 1: China-U.S. Relations under New Leaders

Moderator:

Richard Bush, Senior Fellow and CEAP Director, Brookings

Panelists:

Yuan Peng, Senior Fellow & Vice President, China Institute of Contemporary International Relations; CEAP Visiting Fellow, 2003-2004, Brookings

Cheng LI, Senior Fellow and Director of Research, John L. Thornton China Center, Brookings

Jia Qingguo, Professor and Associate Dean, School of International Relations, Peking University; CEAP Visiting Fellow, 2001-2002, Brookings

Jonathan Pollack, Senior Fellow and Director, John L. Thornton China Center, Brookings

Panel 2: Economic Integration in East Asia

Moderator:

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Mireya Solís, Senior Fellow and Philip Knight Chair in Japan Studies, Brookings

Richard Bush, Senior Fellow and Director, Center for Northeast Asian Policy Studies, Brookings

Panel 3: Regional Security in East Asia

Moderator:

Jia Qingguo, Professor and Associate Dean, School of International Relations, Peking University

Chu Shulong, Professor, School of Public Policy and Management, Tsinghua University; CEAP Visiting Fellow, 2006-2007, Brookings

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PROCEEDINGS

RICHARD BUSH: So ladies and gentlemen, I think we need to get started. If I could have your attention please. So we've heard a very good address -- very thoughtful, very comprehensive from Director General Xie Feng and now we have the scholars' point of view on US China relations under new leaders. We have an all-star cast here. Four outstanding scholars. All of them have an association with Brookings. You have seen their bios but Yuan Peng is senior fellow and vice president at China Institute of Contemporary International Relations. He was a visiting Fellow at Brookings in 2003-2004.

Li Cheng is a colleague at Brookings. He's a senior fellow and director of research in our John L. Thornton China Center and he's a Shanghai boy. Jia Qingguo is a professor and associate dean of the School of International Relations at Peking University and he was a visiting fellow at Brookings in 2001 to 2002 -- a very exciting time. And then Jonathan Pollack is the director of our John L. Thornton China Center and a long time student of U.S.-China relations. So we're going to start right away. We ask each speaker to speak for twelve to fifteen minutes. If you want to use a little bit less, that's fine, because we're a little pressed for time, but Yuan Peng, we start with you.

YUAN PENG: Okay, thank you Chairman. First of all, let me thank Richard and Kevin and Xinbo for the invitation. So my talk is Chinese views of the America. It's a very big topic. A hundred Chinese have a hundred different views of the states today. Just somebody mentioned the recent Xinhua news agency, the very famous article, de-Americanization or something. So this is one, maybe one view. I think four points. Number one -- because of the title, this panel is a U.S. and China relations and their new leaders, my impression is that either way, both have a governmental transition early this year or later last year. But on the Chinese side, we do have very new leaders, new styles, new policies, domestic and foreign policies and new doctrines. So you can feel, you can found. And I think Cheng Li and Professor Jia will mention how China's new leaders experience their new policies and new doctrines.

In comparison with the Chinese side, I think American side I think is less new. Obama is still Obama. Biden is still Biden and even the Congress and the Senate is still controlled by Democratic Party and the House is still controlled by GOP and the state and local government still the Republican has a little bit advantages. So almost nothing new in comparison before the election.

So for us to view the new leaders, I think first in my mind is that what will be the new administrations of Obama's [Obama administration's] priority? Is it domestic driven or foreign policy driven?

Number two -- comparison with top leaders, I'm more interested in the minister-level change, but is what's the difference between John Kerry and Hillary Clinton? It seems that John Kerry is more interested in Middle East than East Asia. So

even if he replacing Obama joined APEC and East Asia Summit, but he's not that visible than Hillary Clinton's presence in this region.

So, and Susan Rice, so far I almost have no idea what her Chinese attitude are, we just know that she's your former colleague and she works very well in the United Nations and she's an African expert. How will she conduct his foreign policy with China, still unknown I think? And more interesting is a lower level, like [Danny] Russel, like Evan Medeiros.

You know, the last several years, it seems for me that Americans' Asian policies is highly driven by Hillary Clinton and by [Kurt] Campbell rather than by Obama himself. But this time, this level of change of the personality, how will this affect America's foreign policy and the U.S. and China relations – this is first in my mind.

Second is American domestic development. We see two very different trends. On the one hand, economically speaking, we see a very positive trend, that American economy is recovering. The position of the U.S. dollar is back to the level of 2007 before the financial crisis, and the stock market is very strong. And everybody here in China is talking about how America is leading the third round of scientific and industrialization revolution, so it seems American economy is go beyond the financial crisis period and has a more brighter future.

But on the other hand, we see a very bad political picture. And recently, we see the budget crisis and the debt ceiling crisis, and the shutdown of the non-critical government. And recently they have some concession, but January 15th, and February 7th, we work on another round of struggle between the two parties. So this gave us a very strong alert that, what's wrong with American political system? My sense of it is that America's real problem today is not an economic and financial problem, it's a political problem.

So I think the reason why the Xinhua News Agency, one article speak it now about de-Americanization, I think it is because Americans are responsible for a political struggle that has already effect the international economy and international environment. And so my question is, what's wrong with American political system? Is it a very big problem, or it is not so big a problem? So I would hear maybe Cheng Li or some others to give us a right answer. And I think next year will be your mid-term election. The political struggle will be even more serious. This mid-term election may be compared with the 1990s, so it's not a real mid-term, but directly related to the 2016 presidential election, so how this mid-term election and your domestic politics affect U.S. and China relations is my biggest concern.

And number three is American foreign policy. Foreign policy -- everybody here is talking about President Obama's cancel of his trip to Asia, APEC and the East Asia Summit. I just read Ken Lieberthal's [article](#) in your Brookings brochure. He gave a very negative assessment of Obama's cancellation of the trip. And also some others said that it's not that serious. It's just the effect will be only contemporary [temporary]. So how will his cancellation of the trip impact from American re-balancing

policy in this region? I think Jonathan will give a right answer, I guess. And also, we will see that Americans this year focus more on Middle East than on Asia -- Syria, Iran.

And then in another very important your foreign policy orientation this year is U.S. and Russia relations, because of Snowden, because of Syria, and because of criticism from President Putin to Obama in the *New York Times* about American exceptionalism -- I think that U.S. and Russian relations today are in a very bad mood.

So in comparison with U.S. and China, so which is more promising? Which is still for me, we are still observing the future trend. How this triangular relations are going forward, I think is my concern. And I think in comparison with the last few years, we have a very strong focus that's a rebalancing towards Asia. This year, for me, your foreign policy is more diversified, diversifying. So it's kind of hard to see the mainstream of American foreign policy.

My final point is on U.S. and China relations. Director General Xie mentioned a new model of major power relations. I think the reason for me, the reason why President Xi initiated this new phrase, is because of three major reasons or major considerations. Number one is to "reassure" the Americans that we will continue our constructive relations with the States. The second is to "re-unify" the Chinese audience. Because no matter if you are left or right wing, the U.S. relations with China still are priority. And third I think is to "remind" the third parties. Don't use the U.S. and the China competition to accomplish your selfish purposes. I think in terms of these "three R's," I think we have achieved the first stage of success.

And the good news is that Obama, President Obama, echoes this, not only the spirit, but also the very sentence, new model of major power relations. And John Kerry and Susan Rice also used this very term. And many scholars, like Center for American Progress, Ken Lieberthal, many began to thinking about that and write articles. This is something good.

But the problem is that, in the future, I think we find several other different attitudes from American scholars. Number one is reluctant. It seems they are forced to be accept the Chinese initiative. It's not that --it's a little bit reluctance. The second is suspicious. Like [Jonathan] Pollack just mentioned, it's just for U.S. and China or for China and all the major power relations? And number three is conditional. Even if you want to have a new model with China, but the pre-condition is that China you should first do something, North Korea or cyber security -- lots of long lists. And number four I think is still changeable. How if 2016? Xi Jinping initiated this concept is for longer term -- ten years -- maybe even twenty years. But for the American side, I think that due to the political struggle; different parties' orientation, maybe, just temporarily accept. So in the future, my question is then, how do you think, how American scholars think about the new model? And is America seriously thinking that a new model of the relations is a true real future? And in which area can we test the new model of the relations? I think maybe we should find some constructive thinking.

I use three sentences to end my presentation. The first sentence is used by

Hillary Clinton. That is, we should find new answers to old problems. And the number two sentence is former Councilor Dai Bingguo we need to find good answers to new problems. And number three is my own. We need to find some smart answers to difficult problems. Okay, thank you.

DR. BUSH: Thank you very much. That was really interesting. Now we turn to Li Cheng.

CHENG LI: Good. Smart, very smart. Thank you for the invitation and I'm very honored and humbled to be, along with my distinguished panelists and Yuan Peng and Jia Qingguo, and my boss, Jonathan, from Brookings. And I'm particularly happy to see CNAPS fellows and this is a reunion and congratulations; I was fortunate to meet and know you and become good friends. I just think our lifetime friendship will continue. And particularly congratulations for Richard Bush and Kevin Scott for over these years, because they've been such a wonderful team. I think the whole East Asia region will benefit from this great team.

And now, you mentioned that I was born in Shanghai, but also I have some strong ties with Fudan. I consider myself as a Fudan visiting fellow, but unfortunately it's not on the program. And exactly twenty years ago in 1993 to 1995, I was here as a visiting scholar and at that time, Wu Xinbo was a junior faculty member and I learned a great deal from him. I personally benefitted tremendously from his wisdom, talent, wise counseling -- now that the whole country and whole world can better benefit you.

Congratulations on your remarkable career.

Now my assignment is the American views of China. Yuan Peng has said so well that there must be some one hundred Chinese views of America. But in the United States, we have a saying or joke. Ask five Americans about China, you will get five different answers -- six, if one of them went to Harvard. I apologize for those of you who went to Harvard. This could be a compliment - right? You'll never be wrong.

Now I will talk about two issue areas, and one is about to share with you some of the recent surveys, or survey results. I will not go too details, but highlight some major findings. Secondly I want to talk about the various views from different interest groups, as we know that interest groups play a very very important role, not only in domestic politics but increasingly in international policies.

For the first recent surveys, I think the surveys become increasingly important because domestic politics play such an important way in world affairs, so therefore, they're the leaders, and whether business leaders, or political leaders, they are very much interested in survey results. And yesterday, Brookings delegation had a really fortunate privilege to meet with a state councilor, Yang Jiechi. During the meeting he gave a really excellent remark. He also emphasized the importance of public opinion in both countries. At the same time, not to be overly sensational, and to avoid this kind of sensationalism and try to get a more balanced picture, not just think *Global Times* representing China, or *Washington Times* represent America. So it's really important to

have a more balanced view.

I personally co-chaired a survey commissioned by Committee of 100 and this is now six years ago, 2007. I remember that after we conducted this survey, Hillary Clinton's people, Obama's people and the John McCain people all approached us and wanted to see the results, what's going on, because some of the states could be very very close in the [presidential] race at that time. And also, that China becomes increasingly important issue for U.S. presidential debate, so you can see the importance of the survey research.

Now the survey we conducted six years ago, now also, we had another survey, which I served as advisor. This was also by Committee of 100, if anyone wants, I can share this copy to you. And also, both are online Committee 100. And we all together conducted five or six surveys. And three of them we call the mirror surveys. We interviewed 4000 people in China and 4000 people in the United States. And in the survey I co-chaired also targeted four interest groups -- namely general public, business leaders, opinion leaders, and in the U.S. also Congressional staff. And this is the way we conduct.

Now we also particularly emphasize certain issues, all the major issues in the bilateral relationship. These issues include trade, jobs, product safety, energy security, the environment, human rights, regional security, Taiwan, military relations, and at that time also 2008 Olympics. Now these were of great interest to many people in the United States, especially to the, as I mentioned, presidential candidates, and their foreign policy advisors.

Now one of the major findings I would say is really a paradox, that on the one hand, a majority of people in the United States -- 52 percent in our survey, have a very favorable view or impression of China. 72 [percent] of Americans believed that trade between China and the U.S. benefits the American economy and American consumers. Again, 52 [percent] majority have favorable views and 72 percent of Americans believe trade benefits American consumers.

Yet at the same time, 75 percent of Americans believed that China emerging as a military power poses a serious threat or potential threat to the United States and 65 percent of Americans believed that China poses a serious or potential economic threat to the United States.

Now how do we reconcile these seemingly contradictory views? Why do Americans seem to be simultaneously, simultaneously feel both hope and fear in their perceptions of China? Now to a certain extent, the attitudes found in our survey reflect the real complexities and the contradictions in China. A report on China, published a few years ago by a Council on Foreign Relations task force, which I served as a member, observed that China itself is a paradox of many things. China is both modern and ancient, dynamic and stagnant, homogeneous and diverse, strong and weak, rich and poor, communist and capitalist, homogeneous and innovative, homogeneous and diversified, innovative and imitative, bureaucratic and efficient, passive and aggressive, repressive

and free-wheeling -- actually, the list is very long. I just want to cut here.

But I think the most important paradox related to the future of China and the future of Sino-U.S. relations, which is, as I mentioned earlier, a paradox of hope and fear. Now also we should know that American views of China are always subject to change, due to recent events and also some media coverage. And most recently, just a few months ago, the Gallup poll released in June this year and found that 55 percent of Americans view China positively, so similar to the study we conducted six years ago. But a few, one month later, there was a survey by Pew Global actually was different. Its drop in positive views are different -- from the previous 51 percent to 37 percent. This is the lowest in the past many years.

The reason I think, I interpret, is the report by *Washington Post* about the cybersecurity scares, fears, the building in Pudong, espionage things -- I think that played a very important role in the Americans' perception of China. This is my interpretation.

Now also there's some prevailing misperceptions that are quite astonishing. Now just again, the Pew Global survey or poll -- this was conducted in July or released in July this year, shows that more and more people around the world believe that China is the world's leading economic power. But that's factually not true, because we know that the leader is still the United States. The U.S. economy is still the number one. But again, you see the trajectory; you see the very nice chart to see the people think China is number one economy, not the United States.

The same perception is also found in America, in the same survey. Of Americans, 44 percent believe China is the world's biggest economic power, whereas 39 percent believe the U.S. is. So just two days ago, we were asked in China's Economic Entrepreneur's Club, we were asked by one entrepreneur, they ask us, when China will become the number one economy. And I think it already is, in the perception of the American people. So that's the kind of gap.

Now let me move to the second point, the interest groups, and see how they perceive China differently. The important finding found that the Pew Global poll released a few months ago is the fact that young people -- the definition of young people is between 18 to 29 years old -- around the world, have a much more positive view of China than those over fifty years old. Now the U.S. -- they divide into three groups -- let me give you the number of the favorable view of China. It's very very interesting: 18 to 29 years group -- 57 percent have favorable views. The next group is between 30 to 49 years old -- 35 percent have favorable views. Those 50 years old or older -- 27 percent have favorable views. So again, from the first group, the younger group -- 57 percent, the middle group from 30 years old to 49 years old-- 35 percent, and those who were 50 or older -- 27 percent. This is quite remarkable. And various surveys have been consistent, revealing that age difference.

The reason the survey by the Gallup poll also reveals some party differences -- Democratic Party and Republican Party. It tends to be Democratic Party now has more favorable views of China than the Republican Party. And also in the U.S.,

another survey believes that 72 percent of the younger age group view China positively. So that's a very very interesting phenomenon. The age differences and the partisan differences as come to China. One of the interpretations about the Republicans' relatively negative views are related with religious freedom, because more people in the Republican Party are religious believers.

Now very quickly talk about interest group. When we study interest group, I usually look at about twelve interest groups. Let's very quickly look at these groups.

The first is labor groups. Certainly they have quite a negative views of China at the moment. Human rights groups, NGOs, environmental groups -- similar -- negative. Religious groups -- you can see that the Cheng Guangcheng or Tibet or Xinjiang, etc. The media and particularly before Snowden's scandal, the U.S. media really created very sensational fear and because that issue [of cyber-security] really touches everyone's life, about the physical existence, your wealth, and also your privacy. These are all fundamentally important for people, for Americans, I would say for everyone. So that plays around a very very powerful and negative view. But now with the Snowden incident, suddenly people's perspectives change.

Now also, business group. Usually the favorite China lobbies, especially since 1989 and Tiananmen, but in recent years actually we find that the business group at least many of them, even some of them making money in China, lobby against China, or tough policy towards China. This is quite an interesting change. Now based on the American business council -- that 26 percent of enterprises registered in China believe that they lost business secrets because of espionage. And also, 62 percent of companies really think the Chinese government control of the censorship hurts their business in terms of transparency or internet access and etcetera.

Now think tanks certainly also are disappointed by some of the political situation in China. This is also an important group. The military, because of some of the peer opinion leaders that are kind of single-minded anti-U.S. position really make that group of U.S. counterparts very, very nervous so they recall they react also very,, very negatively.

Now the Congress. Congressional staff and particular Congressmen usually have very negative views of China. I don't know, whether I should say, I'm embarrassed, I serve as advisor for U.S. Congress, particularly Congressional working group, but that group at the moment is still -- their voice is very, very limited. This is a pro-China group -- the number increased, but they are marginalized with all these media things that criticize China. They do not have much voice. I hope that will change, but I don't know when.

Now these are, relatively speaking, the negative groups. Now Chinese Americans, usually, is a very pro-China force, especially in recent decades. In my observation, they are very much concerned about some of the [developments]. Particularly, most people don't like Bo Xilai, his Cultural Revolution style approach, so

they're worried about Maoism coming back to China. This is actually among the cultural elite among the Chinese American communities. But by and large, they are still a pro-China force.

But I think there are two interest groups that are very friendly with China. One is local governments, because they see China as an opportunity. They do not need to be concerned about strategic thinking about American special interests. They want a business, they want jobs and investment, and etcetera. Now this group, for a few more years, or a couple of decades, they were picked out of the Congressional elections in the districts. So this is a very important force. I notice that the Chinese government, particularly the embassies, really pays a lot of attention in recent years, so that's a good movement from Chinese government perspective.

The last group is, not surprisingly, I already mentioned, is the young people, young generation. And for China, now U.S.-China relations have the 100,000 Strong program, and I think it is very, very important -- I would come to conclusion very quickly. And also, this is Monday; I fortunately attended the Great Hall's meeting with the 100th anniversary for overseas returnees. President Xi Jinping released the number, that since 1978 China sent 2.7 million people overseas to study, and the majority of them, study in North American, especially in United States. He also mentioned one million -- 1.09 million, returned to China. And for the U.S., we will see the very strong trend, including some of the people in the audience -- you are the future of America. You represent the future views of American citizens with China.

Now just a few months ago, I delivered a key note speech at a school called Sidwell Friends School in Washington, D.C. This is very elite school and some very prominent people in China and elsewhere, send their children there, including Obama's two daughters attend this school. One of them attended my talk and the other one whom I did not meet, also is studying Chinese. The talk I gave to 400 senior relatively older groups of that high school -- I asked them how many of you have been to China -- half. How many of you study Chinese? More than a quarter. So that's a very important sign.

So I believe that the younger people, whether you live in Washington, New York, Tokyo, Taipei and Seoul or Beijing, in Shanghai, Guangzhou, they have become so similar. They are more similar with each other than their elder generation. I think that this is the generation that grew up in the globalization where fortunately we see the more positive side. I think that's the hope.

Now in conclusion, I think there is abundant information -- the evidence shows that mutual good will and warm feelings exist between these two peoples. I have not had the chance to talk about how the Chinese perceive America. It's in many ways a parallel -- it's a mirror. There is also strong recognition of the economic interdependence and also other common interests as Director Xie Feng so elegantly outlined in earlier speech. They play a very powerful force and these are extremely powerful sources of hope. Yet by some of the fears that each side expresses are based on temporary incidents or misunderstandings but at the same time others can make kind of perceptions, actually,

arguably based on varied concerns. So it's something I think both countries should improve, there's no question about that.

Now the real challenge for public policy makers in the United States and China, and especially top leaders in both countries, is to develop an accurate understanding of these public opinions. Not only those held by their own people, but also those of their counterparts. They need to work more cooperatively on issues that are crucial to the future of both countries. The world will be much better off, if arguably the most important bilateral relationship in the twenty first century is not driven primarily by fear, but instead enlightened by wisdom, vision, and most importantly, hope. Thank you very much.

DR. BUSH: Thank you very much Cheng. You give us cause for a certain amount of optimism that we can increase hope and reduce fear. So now, Jia Qingguo.

JIA QINGGUO: Well thank you very much. I want to take this opportunity to thank Richard, Kevin, Wu Xinbo, for inviting me. When Richard introduced me, he grinned, when he talked about my association with CNAPS's program. I went there in 2001. Actually, the first day when I went to Brookings, 9/11 happened. So one of the unintended consequences of 9/11, was the improvement of China-U.S. relationship. So I realized that whenever I got more closely related with CNAPS, China-U.S. relationship I guess improved.

Well I think the topic I was assigned to speak about is a very difficult one -- the Xi [Jinping] administration's approach to the U.S. -- especially after Director General Xie's speech. That makes me, puts me in a very difficult position. I'll say what I have in mind but my advantage is that I'm not official. So I can talk more liberally. When we talk about Xi administration's approach, we need to first talk about the general policy or orientation of President Xi on U.S.-China relations. That is, he wants to view a new type of great power relations. I know there are different translations. China wants to be moderate, like new major countries' relations. I think it should be translated as this new type of great power relations. We're not talking about an average major country.

Xi first proposed the concept in 2012, when he visited the U.S. as vice president. He has insisted on it after he came into office, despite strong anti-American rhetoric in the media in China. But also, of course there are problems -- anti-China forces in the U.S.

What he means by this is first, I think, no confrontation. He wants to avoid the so-called traditional great power relations that are believed to be characterized by conflicts and war. And he believes that China and the United States should make sure that they are not going to get into the same trap again. Moreover, I think Xi appears to subscribe to the positive game perspective. In his speech, at the Peace Forum in Tsinghua last year, at Tsinghua University last year, he said, for a country to pursue its own development, they must also let other people to pursue their development. To seek their own safety, you must allow the safety of others. To pursue its own better life, you must allow others a better life. In other words, in his eyes, relations between China and other

countries are not a zero sum game. We can all win if we try. I was told that this paragraph was inserted by himself into the speech, after the original draft was delivered to him. It appears that it is also from this perspective that China handles its relationship with the U.S., so it's a positive sum perspective.

And against that background, I think we can see the relationship with the change of relationship over the past year. The summit at Sunnylands -- I think that summit represents a major attempt on the part of the Xi administration to put his idea about new great power relationship into practice. He made much effort to promote a stable and constructive relationship between China and the United States. He listened to Obama very attentively. He talked about the relationship in a positive way and he directly and frankly addressed the relationship -- some of the sensitive and or important issues between the two countries, such as North Korea, cybersecurity, climate change, and military to military relations.

So he's not shunning the questions, making some fuzzy remarks like some other people. In terms of economic relations, you know among the accomplishments of the Sunnylands summit is the agreement of both countries to start the formal negotiation on the bilateral trade and investment treaty, on the basis on pre-established national treatment (inaudible) with a negative list approach. If the treaty can be concluded I think it will not only greatly facilitate the economic relations between the two countries, but also bound the two countries ever more closely, not only economically, but also politically.

In terms of military relations, after the Sunnylands summit, we have seen closer contacts, many positive comments from the Pentagon about the new developments I've heard from American officials. So that is really a long awaited progress. In the past we know that military to military relationship between the two countries is the weakest link in our relationship. Finally we see some real progress.

In terms of cybersecurity, a working group has been set up. That, to some extent, indicates that the Chinese government finally realizes that this is really -- the gravity of the problem. I think it's not just in the interests, in the best interests of the U.S. to grapple with the cybersecurity problem, but also in the Chinese, in the best interests of China. Actually China probably needs cybersecurity more than the United States. Americans have been complaining that their companies' computer systems have been invaded and hacked many times by others. I think the Chinese companies probably have even more complaints about this. The problem is, there is a difference. American companies' computer systems are much better protected, so whenever a hacking occurs, you get a trace. The Chinese companies' computers are less protected, so you don't even know how many hacking occurs against your own system. So I think it's in China's best interest to work more closely with U.S. to handle the problem of cybersecurity. We need to have order in the cyberspace.

On climate change, I think our positions are also getting closer. A working group has been set up to work on this. I believe that China has greater incentive now to invest even more in this area. We have paid a lot of attention to this but we are going to

pay more attention to this because we have a serious smog problem, among other things.

On North Korea nuclear problem, I think China's position has been shifting, and the difference, as a result of the shift, the difference between China and the U.S. on this issue is getting closer. The positions are getting closer. In other words, China is attaching more importance to the need to denuclearize the Korean peninsula, now than ever before. So China will take a much stronger position in the days to come on the North Korea nuclear problem.

On the South China Sea and the East China Sea maritime disputes, China has reassured the U.S. that it has not changed its longstanding position of freedom of navigation. Actually, China has informed the U.S. many times. Sometimes, it's a bit funny; their issue was raised repeatedly, despite China's reassurance. That China is also negotiating a more enforceable code of conduct in the South China Sea with ASEAN countries. And China wishes and will try hard, try very hard, to manage the maritime disputes in a peaceful way. But sometimes, it's not up to China. We have other parties involved. We have nationalists; we have domestic nationalism to deal with.

On Chinese media, I don't know whether you have paid attention to this. One finds less anti-American rhetoric by prominent individuals in recent months. I don't know -- maybe they got the cue that we want to have a positive relationship rather than a confrontation. There are two small tests over the past few months to China-U.S. relations -- two. One is the Snowden case. Some believe that this is the real test of whether the new type of great power relations and China failed. I think to be fair, the Chinese government tried very hard to contain this issue so that they would not jeopardize the relationship. Given what Snowden said about U.S. spying on China, the Chinese government could not just force Hong Kong government to turn him over to the U.S., so I think probably the way China handled this issue was, you know, nothing but appropriate from the Chinese perspective. Obama -- the second test -- is Obama's absence in the APEC summit. Some people were speculating that China would take advantage of Obama's absence, to do something extraordinary. China did not. China did not take advantage of Obama's administration from the APEC Summit to press certain issues.

In sum, the Xi administration is genuine in its efforts to develop a new type of great power relationship with the U.S. For the Xi administration to be successful, I think three things probably need to be done. First, China certainly needs to do more in terms of handling the issues confronting it. The U.S. also can do more. As the Chinese saying puts it, one hand doesn't make a clap. So it needs two to cooperate to make a success. We need to work together to come up with something concrete and significant in terms of success, to boost the relationship, to boost our confidence in building a new type of great power relations.

Finally, confronted with domestic politics there are many differences between the two countries. Both Chinese and American leaders need to learn to help each other in their efforts to charter a constructive course for the relationship. We are all living in the political, politics filled space, so we have to somehow manage to address this issue -- especially the concerns of the other party, in order to advance our relationship. Thank

you.

DR. BUSH: Thank you. Jonathan?

JONATHAN POLLACK: My thanks to Fudan and to my colleague Richard Bush for the opportunity to be here today. I know my old friend Wu Xinbo is always a little anxious when I'm at the microphone and that I might talk too much, so we'll see how I do.

I was actually given a very general assignment. I was asked simply to talk about rebalancing. No reference to what that means, what the context might be and so forth, so let me try to shed a little light if I could, and maybe you could consider this to some extent a primer on how, in the American policy process, issues for better or for worse, get defined. And what the consequences are from that. If we were meeting here just a little under two years ago, we would have been seized in this meeting by what are the implications of Hillary Clinton's article in *Foreign Policy* magazine and what did President Obama mean by this and that, on his Asian tour? I mean, understandably, we focus on these singular activities and singular events which sometimes have strategic significance and sometimes have no significance whatsoever. So let me try then, with the advantage of hindsight, to put some perspective on what I think was underlying some of this discussion.

I am not going to use the "P" word. We all know what that is. Maybe you don't. It's the "pivot." The pivot is a catchy slogan and label, which, in my view, invalidates the whole presumption that it was a strategic concept. Strategy, by its very nature, presumes something consequential and long term. If you were using a term like pivot, it almost implies this is something you can do on the spot and redirect. And if there's anything we know about the governmental process, whether in China or in the United States, is, things take time. They do not happen -- rarely are there events or moments of genuine strategic change.

So I reflect back, I wonder whether the shelf life of the idea of rebalancing now seems, if not totally under question but under some kind of re-consideration that -- what is the logic here? -- and so forth. Do we need in fact -- does any country need a label, a buzzword, a slogan, a bumper sticker, to characterize its behavior? I dare say that the United States and China regularly resort to this, for different reasons.

Yuan Peng correctly noted that America often changes its leadership. One political party or another may change, although I daresay I'll make a bold prediction: if the Republican Party continues to not understand how to count, the question of future presidential outcomes will have already been determined. But I don't want to get ahead of myself or make a prediction, but nonetheless, any administration, whether it's of the same party or the other party, wants to put down a marker -- wants to say here is how we are doing things differently than our predecessor. It's kind of that compulsion to name a strategy.

The problem here is that if I look at the underlying elements of this

rebalancing, they long antedate this administration. I daresay that in many respects, it begins with the Bush administration and by that I do not mean Bush 43, I mean Bush 41. Because it was under George H.W. Bush that the Cold War, at least with the Soviet Union, came to an end, with the end of the Soviet Union. And the fundamental question that was then faced in the United States government and in specific bureaucracies in the United States government is that absent a unifying “global threat,” what would be the defining rationale that could dominate and define American interests? Was it even possible to think in terms that you didn’t have something to hold on to if you will? A lot of these statements, I must say, going back to Bush 41, emanated in fact from the Defense Department, simply because the U.S. sustained a level of military effort on the basis of a Soviet threat, that was going to be rendered much less definable or defensible under new circumstances and I would say, over the long run, that is indeed proven to be the case.

So what would these rationales be? And do we see echoes of them in terms of the discussion about rebalancing? The first of course is just simply whether or not the global commons and the protection of the global commons and what is required to uphold it -- the larger international order -- is a sufficient goal in and of itself for the United States. And there’s an argument you could make in that context.

A second possibility would be there would be an emergence of the major power in the Asia Pacific region that had a presumed capacity to challenge American interests, and one of other great ironies here, if we go back to time of the end of the cold war, it was not, I repeat, not a discussion about China. It was a discussion about Japan. So we’re a little -- we can often be a little short sighted in our memories and our recollections.

The third possibility of course is you could define an emergent danger that is assumed to have global implications, and of course here, the impact of 9/11 was very singular and of course, related to that, concerns about terrorism as an issue, risks of proliferation and so forth and so on, and indeed, that was the conscious choice that the latter Bush administration made, in Bush 43, which ironically deferred consideration of how one looked at China as a factor. Jia Qingguo has already noted and I think absolutely correctly that one of the consequences of 9/11 was an improving U.S.-China relationship.

So in some sense you could say that by coming back to the issues of the central defining purpose of American foreign policy under President Obama, it was a deferred consideration, if you will, of “the rise of China,” not necessarily in a threat-driven way, although for some it did very much have that kind of a justification. But how does the United States demonstrate that it is present and accounted for in the Asia-Pacific region? Former Secretary of Defense Gates used to describe the United States as a resident power in the Asia-Pacific region. I think by that he meant by our interests, by our military presence and so forth. But the reality is, although you can make an argument that physically and geographically the U.S. is an Asian Pacific power, after all, the Hawaiian Islands are in the middle of the ocean, and Guam is even a little farther out. I mean, to me that argument has always seemed somewhat forced, frankly, that the reality is that the United States by dint of its interests and by dint of its global power, seeks to be present

and accounted for in this region and what Obama was trying to do, I think, was making the visible presence of U.S. officials, senior U.S. officials much more here and manifest at major meetings, increasing identification with multi-lateral diplomacy and so forth, that reiterating this message that we were really there. Because there was a presumption that somehow American involvement and influence was lagging as a consequence of other American preoccupations.

And here again, I think what we're really talking about is not so much fundamental change but ones of the terms of American engagement, if I could use that as an alternative label. Engagement to me has a much more neutral context. I mean, America's here because it serves America's interests. It also serves the interests of many states in the region. This shouldn't seem like such a remarkable fact. But there was this long pause in American strategic deliberations under circumstances where the U.S. focused so singularly on the war on terrorism and of course on the wars in Iraq and Afghanistan. It's telling, by the way, that in Bush 41 and under Clinton, the Defense Department used to regularly articulate East Asian strategic reviews that in effect presented the logic of why the United States was here politically, economically and militarily. There were no East Asian strategic reviews under Bush 43. I'm just stating a fact. You could say it was wise, it was un-wise. But we were otherwise engaged. And I think to some significant extent, the United States paid a price for it.

So to me, the challenge for the United States, whether two years ago or now, is the slow persistent effort to demonstrate by U.S. words and deeds that we have meaning and commitment to our policies, that this persists through the ups and downs in American policy. I mean the fact that President Obama cancelled his visit -- I think most can understand why he did that. Did it harm the United States? Well, I'm sure on the margins it raised some questions, but if anyone thinks that that's sort of the leading statement of just sort of the U.S. kind of pulling back -- no, it was dictated very very much by momentary circumstances but it was necessary for his own political circumstances.

The larger question seems to me is whether or not we can imagine in the future what I would call an Asia-centered American foreign policy as distinct to other regions. My personal view is that would be an inappropriate strategy because if the U.S. is a global power, the U.S. is a global power with global interests. It doesn't have to be specific to the Asia Pacific region. It has, and indeed we can see, by the events of the last couple of years, that however much President Obama wants to make a -- graceful may be the wrong adjective -- but to make, to disentangle the United States from these hideous conflicts in the greater Middle East: guess what, you can't. He doesn't want to be involved in another war if he can possibly avoid it, because that would invalidate the central premise that seems to me, of where there is a strategic logic in what he says, that the center of economic gravity and therefore to some extent the strategic gravity in the world is shifting to the Asia Pacific region, broadly defined. But if you get consumed by other kinds of commitments and obligations, you're not going to make meaningful headway in that area.

Beyond that of course, President Obama talks about domestic renewal,

economic renewal. It doesn't make him, quote unquote, an "isolationist," but it does represent an effort to articulate a different conception of American interests in which, I would argue, China is not excluded. But here, and I think it's important to note this, the pernicious and distinctly unhelpful role of the media and the (inaudible), not just in the United States but in China and throughout the region, and again, finding some, to use that dreaded word, the narrative -- let's look at every little action as if it is part of some kind of grander scheme. I dare say with all due respect to not the *Washington Times*, but the *New York Times*, that a lot of its coverage including of US-China relationship, leaves a great deal to be desired on that fundamental issue, despite the efforts of a number of us to advise the *Times* and its reporters otherwise.

So where does this all leave this? The United States—by its interests, by its history, by its future conceptions of its power—is inextricably bound up in the Asia Pacific region, but Asia is a very very large piece of territory. Our historic interests are more in Northeast Asia to be frank, but the rebalancing, whatever it is, has had almost no impact whatsoever on American policy on Northeast Asia. Some will justify it -- will say a ha -- well this is an illustration of a rebalancing policy. I'm not convinced at all. If there are any areas of differences, it's in Southeast Asia. Some modest uptick in the American military involvement in Southeast Asia, but if anyone thinks the periodic rotation of several thousand Marines to northern Australia when Darwin is not under water represents the leading edge of an American grand design, they are kidding themselves -- absolutely kidding themselves.

A few new ships, an increased use of Australia as a staging basin and so forth -- those are literally debates that go back 25 to 30 years but were never materialized until now. Expanded interests in the Indian Ocean, again reflecting I think, the reality of energy circumstances and the need to assure unimpeded commerce and so forth, but what I come down to though, is, we need to avoid an overly militarized definition of what this strategy entails.

There are indicators of policy change that are meaningful, both political and economic, but the larger questions of how the United States interacts and tries to shape that future -- it cannot be an exclusive American conception, and indeed, ironically enough as we're here talking about the new framework of major power relations, I look at that and I say well, what happened to the containment of China that everyone was talking about? That's not the premise it seems to me of where we are headed.

So I think I ought to stop before I wear out my welcome. But I think that we find ourselves at a very very interesting moment and I hope we all get it right. Thank you.

DR. BUSH: Thank you very much Jonathan. Thanks to each of you. I think we have about fifteen or twenty minutes before we need to walk across the street to the hotel for lunch. And so we can -- I can take a few questions. And please put up your little placard and wave your hand in case I don't see your placard. Hiro [Matsumura], did you have a question?

QUESTION: Hiro Matsumura from Japan. My question goes to Cheng Li and Jonathan Pollack. You gave us a little description about recent polls and it was very interesting but you are simply suggesting sort of a cyclical pattern of the U.S. attitude to whichever the country has the number two position. And maybe the number two is a very dangerous position for any country to occupy it because in the Cold War period consider of course the Soviet Union military threat, and then in the 1980s, Japan was considered to be dangerous because of its economic potential. Now China is a combination of the economic and military potential. So do you consider that this is a part of another story of this cyclical episode or this time is something different? Maybe if you -- I wish you could be a little more analytical referring to the U.S., the state of domestic political economy.

And Jonathan, you imply that you consider that the current survey is another episode of this cyclical pattern and then given that you appear to me, that you have a more optimistic view of the current state of the U.S. political economy. Thank you.

DR. BUSH: Cheng?

DR. LI: You ask your question really about my area of research, about the Chinese leadership. You know we heard so much under Mao: the number two position is always dangerous. So it's not so much about the international relations. Of course, international relations are just kind of 19th century mind set, or cold war mentality. Now both sides try to criticize, try to reject, and from U.S. side, Bob Zoellick, about ten years ago, really talked about we welcome China's rise. The only hope is that China should be a responsible stakeholder. This is the same view that is very much shared by President Obama. The same thing is the Chinese perspective of a new relationship, major powers that also emphasizes cooperation rather than conflict, emphasizes the new era and the era of economic globalization and interdependence and win-win. So I do not see -- based on the survey actually, that view is not that strong from the public. People are not obsessed with this kind of views that we want to be number one, we want to be number two. But rather, otherwise they will take a more negative view of more trade from China, or education, all kinds of exchanges program.

But people actually like these changes, exchanges, particularly like economic cooperation. What people are concerned about is the military confrontation, but again, this is really largely dependent on events and some of the incidents that jeopardize the whole situation. So I think for the moment, the real challenge is for leaders in both countries, and we're talking about China-U.S. because that's the theme, to -- when you face some crisis, when public opinion is out of control, you still take a long time view, a long time position. This is the message by State Councilor Yang Jiechi, he said repeatedly yesterday. I think that's a good approach. I think the U.S. leaders also understand that it's not the U.S. interests to be involved in military conflict. We're going to hear the U.S. Consul General's keynote speech at lunch time. So certainly it's not the U.S. interest to see a chaotic situation or military confrontation. We want all the parties involved to peacefully resolve some disputes. So I think that the number one, number two complex is the old fashioned way to look at things.

DR. POLLACK: I don't want to sort of look at long term projections on the U.S. political, or U.S. economy. There are many many trends that certainly would be in a positive direction, not that disadvantageous. The fact that China will ultimately—barring some kind of cataclysmic upheaval—will have a larger economy than the United States is simply a function of development and arithmetic. I don't think it has implications beyond that unless people become convinced that it does.

You know, I'm reminded, a Chinese colleague the other day, that when I was a young boy, I was watching the World Series baseball championship, this is 1957, when the news came on that Russia had put a satellite in orbit. This had a jarring effect on the United States, and of course stimulated the development of NASA, and other kinds of things. So I wonder sometimes whether, when China, for whatever reasons that it chooses to, lands a man on the moon, will this have some kind of a psychological affect? I don't think that the fact that China's economy will be bigger necessarily will, because I see us, for better or for worse, joined at the hip. And the question is whether or not we can be joined at the head. And that's the much bigger challenge.

But the presumption is, as several of the speakers have alluded to, that in ways large and small, globalization has transformed the way we think and act, the world we live in, in ways that I think we tend not to realize or appreciate as fully. But that's where we are and the United States and China are at the center of that process. Now leaders can do foolish things. They can misinterpret or misperceive situations, they can do things for their own domestic interests, domestic circumstances. That's where, as Cheng has just alluded, you need wise actions by leaders. And you need an ability of leaders to interact with one another in a meaningful way. It doesn't mean that all the legacy of mistrust and God knows what, vanishes without a trace, but if you can keep it focused on where your fundamental interests like, maybe we can do better at things over the longer run.

DR. BUSH: I would just add that it is also the responsibility of leaders to lead public opinion, rather than be led by it. (inaudible) of Fudan?

QUESTION: I have two short questions. First is to Professor Yuan Peng. You have mentioned about United States foreign policies, you have taken the Russian-American relations as a case and you said they have a bad mood. My question is regarding the European-U.S. relations. As we know now, the United States retreats military capability from Europe and on the other hand, it wants to enhance its economic relations with Europe by some corporations, for example, the TTIP program. My question is how do you view the U.S.-European relations and what's the implication for China.

The second question is to Professor Cheng Li. Many interest groups are selected in your survey. And they have different opinions on China. My question is, which do you think, which group is strongest or has the strongest influence in Obama's administration, especially in the decision making of the policy toward China. Thank you.

DR. YUAN: U.S.-European relations, okay. I think it's related to the first

question of number one, number two, and the Chinese rising but China is not rising by Chinese itself, rather it's rising of BRICs, rising of so many emerging powers, like middle powers. So there are more than twenty countries are rising simultaneously. And all those rising powers are, many are in the developing or non-Western worlds. So that's why I think we see an urgency of the coordination of more between the Western worlds, so the recent years we've see a very rapid development of relations between the United States and the European Union. Several years ago we see European and Japan has a very clear trend that want to separate the relations with the United States, basically because of the rising of the others. I think the Western world feels some urgency to reunite among themselves. So that's why we see the recent TTIP. And the TTIP is a very big signal to show the re-unity between U.S. and EU. But how will this Western world reunification go in the future? Really it depends on not only by themselves, but by the triangular relations among U.S.-EU-China, and U.S.-EU-Russia. So I don't see a new bipolar world emerging. The future really depends on the interaction among different major powers. Thank you.

DR. LI: It's a good question but I don't have an answer. My answer which you may not like is, it all depends on the issue of the day. It's a combination of factors, and I list ten to twelve interest groups. But in reality there are more. Sometimes his wife could be very influential, you know, whether they go to California, or lunch or whatever. These are all relevant factors. Certainly, the people that surround him previously, Tom Donilon, now Susan Rice, could be very, very influential. I know his former chief person on Asia, Jeff Bader, now our colleague, still remains influential, and at that time, certainly helps design the Asia policy. But I think the list that I gave you early on, and the survey, and there is some tension on this, majority of surveys, actually majority of Americans, want to have a good relationship with China. They have some concerns, they have some criticism. At the same time, the interest groups, if we look at that long list, at the moment, it's not so encouraging. They all have serious issues on China. So I think that really creates some difficulties for Obama to carry out a very very powerful good relation with China. So I think that he has a lot of things to do, particularly to better communicate with the American public about why we need to have cooperative, constructive relationship with China at the moment.

And at the same time there are some other issues that also depend on some other issue areas. He may not have concentrated on the China policy because of some distraction. So this is a very very difficult question. But I just want to provide some background on the general public opinion, the changing political opinion and also interest group politics in the United States. I think to a certain extent, I'm not in the job to talk about the Chinese domestic politics. To a certain extent they also become diversified in different interest groups for various concerns, various issues.

Hopefully, the big picture makes people, makes policy makers, to avoid kind of single minded approach or dangerous approach. This is what I think our panel in many ways we share that kind of sentiment.

DR. BUSH: Michael Hammond for the last question.

[Missing Audio]

DR. YUAN: Okay, I'll take the first answer. I think in the longer term, maybe 2020 is a very interesting year to view the U.S. and China relations. That year, China will achieve our ambitious goal of establishing the so-called "well off society in an all-around way" which means our GDP will double comparison with the 2010's GDP, so almost maybe, if not, surpass the United States, almost 90 percent of total of GDP of that of the United States. That's a real challenging to U.S. and China relations and Chinese are not just rising economically. Also, accompanied with Chinese military modernization, given the recent rapid, and given your budget is constrained.

So, and during that time I think America has another concern. Because ten years ago you were concerned about military imbalance between mainland China and Taiwan, but today it's already a fact. Now you are constantly about imbalance militarily between U.S. and China and Japan. But ten years later, it's time for Americans to think about the military balance between U.S. and China directly in this region, so in 2020 I think objectively speaking, it's relatively worrisome. The good news is that both leaders and scholars highly aware of the dangers of that end. That's why we initiated a so called new model of the relations, to pick through the possible worst scenarios, to shape the relations in the bright future. I think that's why we should work harder to avoid that worrisome future, to achieve win-win cooperation relations. Thank you.

DR. JIA: I agree with Yuan Peng. Personally I think, you know, the Chinese views are very pluralistic. It's very difficult. We differ tremendously in terms of our assessment about a current state of the relationship between our two countries and the future. But personally, I think, maybe the current relationship is the most difficult to manage, because China is in the transitional phase. During the period of transition, China has dual identities and interest. There are many aspects of our relationship of China. China is a developing country, developed country, rich country; poor country, strong country, and weak country. So China has -- because -- different identities are associated with different interests. So China has a difficult problem of grappling what its identity is and what its interests are. So China's foreign policy tends to review contradiction and inconsistency. So during this period of time, it's very difficult for the U.S. and the outside world in general to gauge China's intentions, and what China wants to do. So this is the period that suspicion and hostility are most likely to arise. But if China's trend of development continues, then China would have more -- the new identities and interests would prevail. And the new identities and interests of China are going to be more in line with that of those of the U.S. So in the long run, I think the relationship, the prospect of the relationship, I think, can only improve. But having said that, how China would develop in the days to come, probably that's the key factor. If China develops in the wrong direction then everything will be very different. Thank you.

DR. POLLACK: The only point I would want to add to this is that what I am worried about in terms of this looming transition may be less the U.S.-China relationship but more the shape of this Asia Pacific region. We have a lot of trends that are merging, states that are getting feistier, in their politics, and leaders more assertive, that includes China but it extends to Japan, it extends to both Koreas in a different way.

So the fact that we have always looked upon this region as very very stable and more or less peaceful -- there's a lot of work to be done here, because it's more than just simply the U.S.-China relationship, and I think that will have at least as much shape of things to come.

DR. BUSH: Okay, thank you for that final remark. That brings us to a good close. We now need to move across the street to the Crowne Plaza for lunch. We'll be in Meeting Rooms 1 and 2 on the second floor, but before we leave, please give the panel a big round of applause for very stimulating remarks. Thank you very much and see you at lunch.

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