

**THE BROOKINGS INSTITUTION**  
**CENTER FOR NORTHEAST ASIAN POLICY STUDIES**

*in collaboration with*

**THE INSTITUTE OF INTERNATIONAL RELATIONS**  
**NATIONAL CHENGCHI UNIVERSITY**

**CHINA FACES THE FUTURE**

*The Brookings Institution*  
*Washington, DC*  
*July 14, 2009*

[Proceedings prepared from an audio recording]

ANDERSON COURT REPORTING  
706 Duke Street, Suite 100  
Alexandria, VA 22314  
Phone (703) 519-7180; Fax (703) 519-7190

## **OPENING REMARKS**

### **Richard C. Bush III**

Senior Fellow and Director, Center for Northeast Asian Policy Studies  
The Brookings Institution

### **Tuan Y. Cheng**

Director, Institute of International Relations  
National Chengchi University

## **KEYNOTE ADDRESS**

### **Lai Shin-Yuan**

Minister, Mainland Affairs Council  
Executive Yuan of the Republic of China

## **PANEL 1: CHINA'S EXTERNAL GRAND STRATEGY**

### *Moderator*

#### **Kenneth Lieberthal**

Visiting Fellow, The Brookings Institution

### *Panelists*

#### **Arthur Ding**

Research Fellow, Institute of International Relations  
National Chengchi University

#### **David Finkelstein**

Vice President and Director, CNA China Studies  
The CNA Corporation

#### **Vincent Wang**

Associate Professor and Chair, Department of Political Science  
University of Richmond

**PANEL 2: U.S.-CHINA RELATIONS UNDER PRESIDENT OBAMA**

*Moderator*

**Andrew Yang**  
Secretary General  
Chinese Council for Advanced Policy Studies

*Panelists*

**Michael Green**  
Senior Adviser and Japan Chair  
Center for Strategic and International Studies

**Tuan Y. Cheng**  
Director, Institute of International Relations  
National Chengchi University

**Kevin Nealer**  
Principal, The Scowcroft Group

**PANEL 3: CROSS-STRAIT RELATIONS UNDER PRESIDENT MA**

*Moderator*

**Shirley Kan**  
Specialist, Asian Security Affairs  
Congressional Research Service

*Panelists*

**Francis Y. Kan**  
Institute of International Relations  
National Chengchi University

**Szu-chien Hsu**  
Institute of Political Science  
Academia Sinica

**Richard C. Bush III**  
Senior Fellow and Director, Center for Northeast Asian Policy Studies  
The Brookings Institution

## PROCEEDINGS

RICHARD BUSH: Ladies and gentlemen if I could ask you to take your seats, so we're about to resume. Sorry to break up your conversations, but we're on a tight schedule here. Please take your seats.

Thank you very much. We're now going to move the first session of this conference on China's External Grand Strategy, and my good friend and colleague Ken Lieberthal will be the moderator.

Before I turned the chair over to Ken, I'd like to make a couple of housekeeping announcements. First of all, we hope that presenters will speak for about 10 minutes. After this session, we're going to have lunch, and we will -- you will have lunch where you're sitting. We'll do it buffet-style. There's no luncheon speaker. If you're going to leave, please take your things with you so it's clear that your seat is empty and that somebody else can sit there. Having said that, I now turn the chair over to Ken, and we will resume the conference.

KEN LIEBERTHAL: Well, thank you very much, Richard. It's really a pleasure to have an opportunity to participate in this conference, although my participation is going to be more as referee than as substantive participant.

This morning's panel will be on China's Grand Strategy. We've got three speakers. Let me introduce all three now in the order in which they'll speak, and then I'll let them simply go forward. Each will speak for only 10 minutes, that is, largely to create a basis for you to raise questions so that we have a good amount of time for Q&A before we break for lunch.

The first speaker is David Finkelstein. Dave is Vice President at CNA and Director of CNA's China's Studies. He received his Ph.D. in History from Princeton University. He also is a retired U.S. Army officer, being a graduate of West Point, of the U.S. Army Command and General Staff College, and the Army War College. He is probably the best-educated person who ever went through the U.S. military, with all of those credentials behind him.

He's held significant China-related positions at a variety of levels, including at the Pentagon as Advisor to the Secretary of Defense and Chairman of the Joint Chiefs of Staff, in addition to serving on the faculty of West Point, where he taught Chinese History. He runs a China analytical shop at CNA, which is well-known for its very high standards of both language and substance.

The second speaker will be Dr. Arthur Ding. Dr. Ding is a Research Fellow at the China Politics Division of the Institute of International Relations at

National Chengchi University in Taipei. His research focuses on China's security and defense policy, on which he has written several books and many articles. He got his Ph.D. in political science from the University of Notre Dame.

Our third speaker is Dr. Vincent Wei-cheng Wang, who's Associate Professor and Chair in the Department of Political Science at the University of Richmond.

He is a former coordinator of the American Political Science Association Conference Group on Taiwan Studies; a board member of the American Association for Chinese Studies. He's published over 60 scholarly articles and book chapters that really just cover an extraordinary variety of topics. He's currently working on a project on the Asian perceptions of and responses to the rise of China. And he has his Ph.D. from the University of Chicago, and an M.A. from SAIS, right next door.

Without further adieu, let me ask them to come up in that order, and I will be a fairly rigorous timekeeper, so I'll pass you a note when you have two minutes left; and the podium will disappear and the trap door will open at the end of 10 minutes; okay? David?

DAVID FINKELSTEIN: Well, thank you to the organizers for the opportunity to be here today. There are two assumptions built into this panel. The first, of course, is that China actually does have a grand external strategy, and the second is that each of us can actually talk about it in 10 minutes or less.

The paper that I submitted begins with a brief explanation of the fundamentals of any strategy, grand or otherwise. And let me just go over those four fundamentals because they provide a framework for thinking about China's external grand strategy.

First, the purpose of any strategy is to achieve defined objectives in the context of specific circumstances; second, that strategies require the development of concepts and policies to achieve those objectives. Third, strategies demand the development of capacity to execute those concepts; and fourth, the very notion of a strategy demands or assumes the ability to coordinate the ways and means to achieve the objectives.

So bringing this back down to China's external grand strategy, what is it that Beijing's external grand strategy is supposed to achieve, and what is the current context in which it is operating?

In the realm of grand strategy, PRC documents and leadership statements are consistent in articulating China's overarching national objectives, which you can really synthesize down to be the building of a strong, modern, and prosperous China, or, as Party documents sometimes discuss it, building a well-off society in an all around way or, alternately, seeking a moderately developed country by the year 2050.

So it follows that Beijing's external strategy must create an international environment that will support these objectives and allow for the continued development and rise of China.

Now there is nothing particularly new about that. These have been objectives that China has had really since the Third Plenum of the 11<sup>th</sup> Central Committee in 1978. What has changed, I would argue in the past few years, is the larger context in which Beijing's external strategy is operating -- the results of major international political changes; operating an era of hyper-globalization, and the rise and internationalization especially of China's economy.

Because China now has global economic interests, it also has expanding global political interests, and, as we've witnessed recently, it has expanding global security interests.

Moreover, China's rise or emergence as an international actor of consequence, mostly due to its economic traction, now avails it of new options and provides for new capacity in pursuing its external agenda.

And overall, this is a very new situation and context for China's leaders. And they approach it, I think, with a sense of -- or an admixture of both trepidation and triumphalism. I think this is reflected in statements in both the Party Congress Report from 2007 and the most recent events white paper that states "China cannot develop in isolation from the rest of the world, nor can the world enjoy prosperity were stability without China."

So it's within that new context that I'll spend the rest of my time talking about how I think or at least characterize briefly how China is employing the various elements of national power -- diplomatic, informational, military, and economic-to go about and achieve its agendas. It's mostly descriptive, less analytic, but 10 minutes -- hey, give me a break.

So first, diplomatic initiatives. Here's my bottom line: relatively proactive and increasingly flexible. They are proactive in the sense that China is no longer willing to merely react to changes in the external environment, but, when possible, attempt to shape the external environment, especially the regional environment in the Asia-Pacific region.

Examples would be Beijing's role in the Bo'ao Forum of 2001, the transformation of the Shanghai Five into the Shanghai Cooperation Organization in that same year, and you could also point to China's role in the inception of the Six Party Talks in 2003.

Chinese diplomacy is also exhibiting a certain degree of flexibility or pragmatism relative to the past foregoing some of its time-honored viewpoints are maxims when doing so seems to be in its own national interests.

So besides willing sometimes to now take the lead, another example of Chinese pragmatism might be its embrace of multilateral diplomacy and activities, which, as we know, is a 180-degree turnabout from just a few years ago.

Now one Chinese analyst asserts that “multilateral organizations” is now the fourth pillar of Chinese diplomacy, adding it to the traditional three pillar framework of great power relations, relations with neighboring countries, and, third, developing countries. So that's a characterization of the diplomatic element.

How about foreign economic policy -- what's new about that for China? And to that, my bumper sticker is: not just bring in, but go out. Of previous concepts of bringing in and acquiring things from abroad is still in effect. China must still attract foreign direct investment, technology, as well as scientific and managerial expertise. It is why all Chinese leaders since Deng Xiaoping have revalidated the policy of opening up.

Today, however, China is also going out. And, as we all know, this is a new development.

Since 2001, the Party State has called on Chinese enterprises to go overseas, invest, build international brands of recognition, make acquisitions, secure raw materials, and generally participate in what they label the “global economic competition for markets and resources.”

And in his 2004 speech to the Central Committee in which he unveiled the concept of scientific development, Hu Jintao revalidated the go-out strategy, and said it was now even time to accelerate the go-out strategy.

So as a result of these policy decisions today, the number of Chinese nationals traveling overseas, living or working abroad, and the number Chinese firms operating overseas has really read some remarkable numbers, unprecedented in the history of the PRC. And the formal paper I submitted to the conference organizers has some factoids and facts and figures about that.

We also note that the decision to go out for economic reasons has also resulted in unexpected contradictions, if you will, for Chinese diplomatic and political objectives, and I'll touch briefly on those later on -- which now brings me to the third element of national power, the military dimension.

My preliminary assessment: an incipient expeditionary PLA. After 30 years of modernization, the PLA is finally beginning to come on line as an operational asset, not just a symbolic asset, but an operational asset, available to support Beijing's larger external objectives.

Today an incipient expeditionary PLA is taking shape that is going places and doing things. That's different. And it's involved in three different types of outgoing activities; one, of course, the standard U.N. missions, peacekeeping operations and Observer operations; second -- this is new -- combined exercises with foreign militaries. The first time the Chinese ever conducted a combined operation -- exercise -- with a foreign military was with Kyrgyzstan in 2002, the first time it actually crossed its border into another country to do that. And since 2002, it has conducted 28 combined exercises of various scales, scopes, and types, some significant, some pro forma. But they're out there doing stuff.

And the third, of course, are military operations other than war, as evidenced by, again, the Horn of Africa deployments of the PLA navy.

So these activities get the PLA out and involved with foreign counterparts, not just in a military diplomatic sense, but in an operational sense. And, of course, we could also talk about 2004 when Hu Jintao issued the new historic missions of the military, at which point the PLA, for the first time in its history, was given missions that had an extra focus.

And, as one PLA strategist has explained it to me -- and let me just quote this -- "the PLA is shifting from its previous near sole focus on defensive Chinese territory to the protection of Chinese interests. And one is bound by geography; the latter is not." So this is pretty interesting to me -- the Horn of Africa, again, PLA navy exemplar.

Last element of national power, the informational element, and the bumper sticker for this is: Perception management in overdrive. The Party State has clearly enlisted the informational element of national power to create an external environment that it hopes will be accepting of the emergence of China.

So a principal mission of the informational element of national power for China now, especially as it is directed externally, is to allay foreign concerns that China's rise will pose a threat. And to this end, even the English term propaganda has been purged from the Chinese lexicon and has been replaced by the term publicity work as an official translation for the Chinese word *xuanchuan*.

Examples of the use of the informational element of national power abound. You could talk about 300 Confucius institutes around the world, 53 in the U.S. at the last count; the new and welcomed habit of issuing white papers on a myriad of topics coming out of Beijing to tell China's story; the proliferation of PRC government websites; the availability of English-language newspapers, such as the PLA's *Liberation Army Daily* and most recently *Huanqiu Shibao* - the *Global Times*; the increasing use of government spokespersons to include in May 2008 the MND also having a spokesman.



So these are some of the descriptors of the elements of national power as they're being employed in this strategy.

Next, if, in fact, China does have a grand external strategy, then capacity, coordination, and the introduction of new actors are at least three of the systemic challenges it faces in successfully carrying out the policy.

And I think Chinese officials are the first to admit that the expansion of Chinese external interests has, in many cases, outpaced the capacity of some of its institutions to keep up. The Ministry of Foreign Affairs is a case study in interests outpacing capacity. With the number of Chinese overseas now, you have an entire Chinese diplomatic corps that really never had to deal with consular issues that now has to service tens of thousands of Chinese citizens, legal disputes, corporations involved in legal problems. And between 2004 and 2007, over 1,000 Chinese citizens had to be evacuated from war zones or other dangerous neighborhoods where the go-out strategy has sent them. So we have a problem of capacity.

A second stressor is the apparent difficulty that the system has in coordinating its external work among the various institutional actors. This is system that is self-described, as being notorious for being stovepiped, turf conscious, and horizontally uncommunicative. The CNOOC's attempt to acquire UNOCOL in 2005 and the January 2007 ASAT test may be great examples of the fact that horizontal coordination in the system is not what it should be.

And then finally, a third stressor is the introduction of new peripheral actors who are out there applying external policies of provincial and local governments and especially the state-owned enterprises whose activities overseas, especially in Africa, are not necessarily always in consonance with the larger diplomatic objectives that the center in Beijing would like to accomplish, and, of course, the system recognizes these stresses, which is one of the many reasons that in August 2006 there was an unprecedented foreign affairs work conference called in Beijing to try and deal with all of these stresses in lack of capacity, coordination, and peripheral actors.

So in conclusion -- how are we doing?

KEN LIEBERTHAL: Okay.

DAVID FINKELSTEIN: In conclusion, he's under the table. The guy's got a spike on his heel; okay?

*(Laughter)*

Okay. So, as you take the grand sweep of Chinese history, and here I'm going to take literary license with an article that CICIR analyst Yuan Peng wrote in 2007, you see different phases of China's external strategy in various ways.

From the 1950s through the '70s, I think it was fair to say that China's external strategy was to confront the international system. In the 1980s, China began to engage the international system. From the 1990s through the end of the 20th century, China started to begin to participate in the international system.

And now, since about 2000, 2001, I would like to add that I think China has an external strategy that is trying to shape the international system.

So I find myself in basic agreement with Arthur's conclusion for his paper. And then, second, if there are any adjustments that are going to have to occur in China's external strategy, the context for it is going to be the global financial crisis, because this has the potential of directly affecting China's grand national objectives, as outlined earlier in my talk -- a strong prosperous China.

And we're going to see Chinese foreign policy, foreign economic policy, very active and proactive in trying to shape what many think will be a new international financial order that some think will come out of this current crisis.

On the military and security front, we should not be surprised to see the PLA employed with more frequency in an expeditionary mode and the continued development of the requisite capabilities to do so.

And on the issues of capacity and coordination, it is uncertain -- at least I am uncertain -- if the system can adjust quickly enough or in the ways required to keep up with new demands and lack of capacity. For 10 years, we heard rumors about an NSC-like system being considered to replace the leading small group system. It didn't happen. I don't know why. Others can speculate as to the reasons.

And finally, assuming that China does have a centrally developed and executed external grand strategy, I'm also not convinced that analysts such as myself have the levels of confidence in understanding it that we need to. Thanks.

KEN LIEBERTHAL: Thank you very much.

*(Applause)*

KEN LIEBERTHAL: Dr. Ding?

ARTHUR DING: Thanks, Ken. Well, I tried to compare the difference between analysts or scholars' perception and how it's different from the official perception. Then, I tried to examine and review China's practice by examining two cases -- China's participation in international financial institutions, and the most recent maritime friction in the South China Sea and China's response to it, and I tried to make a projection.

Well, I think based on my findings, that there's a similar perception between the Chinese government and analysts and scholars with regard to the changing of the external environment.

Then, the second finding is that since both groups, the Chinese government and analysts argue for cultural steps and to selectively engage or to playing the leading role in building institutions or dealing with urgent issues.

With regard to the perception toward the external environment, they are quite similar. Multipolar systems and the rising of non-traditional security issues become more and more important, depending on the scope and the definition of the non-traditional security issue. But it can cover wide-ranging issues, from public health to SARS to earthquakes and natural disasters, or even to international financial issues. Also, they found non-state actors, like multinational corporations or international civil groups.

These perceptions of the external environment are quite similar to those announced in some of China's official documents. *China's National Defense in 2008*, which was released at the end of January 2009. It said "with the advent of the new century, the world is undergoing tremendous changes and adjustments. Peace and development remain the principal themes of the times, and the pursuit of peace, development and cooperation has become an irresistible trend of the times. However, global challenges are on the increase, and new security threats keep emerging.

So, these are the issues frequently discussed in Beijing by the policy community, particularly in the post-Olympic era, and in my paper, I cite frequently the special issues of contemporary international relations, the *xiandai guoji guanxi*.

What is the implication for China's overall security? They found China is less threatened by traditional security issues. More time is needed for building new international order because the emerging powers or the established powers continue to contend and compete with one another. But there will be shifting coalitions among these powers. Then, this shifting coalition will make China become the target. They found international civil groups. The civil groups are skillful in using the international media and know how to use modern technology to shape the agenda.

China analysts and scholars admit that China is good at dealing with the executive branch of different governments, but they don't know how to deal with parliaments or NGOs.

Also, with rise of non-traditional security issues, there are also multiple issues that China has to handle, for instance, the international financial crisis and a variety of other issues.

So what are China's limitations?. Although in terms of GDP, China has become the number two actor in the international community, many scholars and analysts admit that China still lags behind in education, science and technology, and even in soft

power areas. They recommend that China should continue pursuing economic development as well as soft power areas.

In other words, these analysts argue for a principle or strategy of unification of dialectic oppositions. That is to keep a balance between, on the one hand, China's integration with various international institutions so as to keep a stable and predictable environment, on the other hands, as well as China's rise so as to gradually "reform" current international institutions which have been dominated by the U.S. and other western powers.

Scholars and analysts argue that China should remain as the *lao er* or the number two power instead of playing a leading role in shaping international institutions or agendas, because if China wants to play the leading role, then inevitably to challenge the U.S. leadership in many other fields. Also, playing the leading role will exhaust the China's limited resources, because China has to provide public good or collective good. So with this kind of awareness that China remains a second-rate power, then China should do well in the role of the number two power instead of playing a leading role as the number one power.

In conclusion, I agree that China still has ambition. China wants to take the opportunity to continue to develop and there's no doubt that China still wants to be a leading power or the number one power. But, it needs the capability to match its ambitions.

Although China is cautious with regard to its foreign policy or grand strategies, I would say the concern posed by several countries will remain because, as David Finkelstein presented earlier, that with globalization and as China's national interests expand, its reach will also grow globally. China will then frequently going abroad and will pose a risk to several countries in the region, for instance, India. On one hand, China has to address its desire to expand globally, but, on the other hand, it has to reconcile or to ease the concerns of those countries so that it can develop and rise peacefully. Those are the main points I have in my paper. Thank you.

*(Applause)*

KEN LIEBERTHAL: Thank you. Professor Wang, you want to be up here?

VINCENT WANG: Good morning. It's a pleasure to be at this important conference. What I tried to do is to continue the good discussions of David Finkelstein and Arthur Ding to focus on one aspect of China's external grand strategy. Obviously, this is a topic we can talk about for three days, but I'm going to concentrate on one aspect, which is China's relations with India, especially how Chinese and Indian elites view each other's rise. I think this is an area relatively little discussion has been devoted to.

First of all, grand strategy, to follow David's discussion, I would simply define grand strategy as “the distinctive combination of political, economic, and military means to ensure a state national interest or to achieve the objectives of the regime.” Obviously, this is guided by a certain understanding of the international environment and the country’s position in that.

Up until recently, China's grand strategy has been guided by Deng Xiaoping's 24-word dictum. You can see the English words there. The Chinese words are *lengjing guancha, zhanwen jiaogen, chenzhuo yingfu, taoguang yanghui, shanyu shouzhuo, juebu dangtou*. And, of course, Arthur asked at the end whether China now should ask *you suo zuo wei*. This policy has been guided Chinese external strategy for most of the post-Cold War era.

The current leadership, the so-called “fourth-generation leadership,” centered on Hu Jintao I think that its external strategy can be defined -- it can be summarized as “peaceful rise” or development. There's a little story about why the slogan changed to peaceful development, but I don't have time to talk about it.

It has certain interlocking elements. First is you no longer hear China talk about itself as the victim of center of humiliation. In fact, China today is very confident and thinks of itself as a great power and increasingly behaves like one.

Secondly, China no longer rejects multilateralism, in fact, it embraces multilateralism if China believes that through multilateral organizations, China can enhance its position and probably soft balance American power.

Third, on many intractable and difficult issues China actually display greater pragmatism. This can be seen in China's behavior in the South China Sea. And fourth China is increasingly aware of the consequences of its behavior., especially in China's backyard, namely, the Asia Pacific region. So it's good neighbor policy is based on assurance.

And finally, unlike in the past, China today is characterized by proactive engagement in important international affairs. The most important example, of course, is the Six Party Talks over the denuclearization of North Korea.

The main instrument is economic, so we talk about the economic statecraft of peaceful rise. So to sum up, China’s peaceful rise is a comprehensive, long-term strategy, leveraging globalization as the catalyst to accelerate China's economic development and to elevate China's power and stature. The language is peace and stability. The style is constructive diplomacy, and the substance is economics, at least for now.

Now how does China know that it is getting the result it wants? Chinese security analysts have developed a concept called *zonghe guoli* or a comprehensive national power.

I can assure you that Americans are not obsessed with rankings, such as the rankings of the best universities, the best colleges, and so on. Asians are very, very obsessed with rankings. So Chinese security analysts are obsessed with the beauty pageant of geopolitics.

This notion about CNP -- for instance, in this formula, if you take the CNP as the total of one and you will see the different breakdown, such as natural resources, economic activity, foreign economic activity, et cetera. I won't read, but the important thing is that the economic activities constitute about 56 percent of the weight. So, yes, economic activity is important.

I won't expect you to read this table, but if you are interested, I can send you my paper. I just want to draw a few important points.

Here in this table, you can see that the United States is given a 100, because it's baseline for comparison. And the numbers in the ranks -- in the italic brackets are the ranks. So, as you can see, according to the different studies for given periods of time, the United States is always given 100, and then China is more concerned not only about the ranks of the different great powers, including China itself, but also the gaps between the number one and the number two, for example.

So a few things we can discern from this very simple table. First is that the international system, the Chinese analysts conclude, is still primarily characterized by one superpower and many great powers, the so-called *yi chao, duo qiang*, and second is that you can see from this table that over the last 30 years, China's comprehensive national power has increased in both relative and absolute terms.

So China now is either the second or the fifth greatest power, in fact, so much so that many analysts, particularly Western analysts, have jumped on the wagon to talk about a G2 rather than G20. They coined the phrase like "Chimerica." I think -- personally, I think these are all premature. But anyway, you get the point that China is now the number two. So China is thinking whether it should do something.

And you can also see that the Soviet Union used to be the number two, but the end of the Cold War has seen the Soviet Union fall on hard times.

You can also see that Germany and Japan have always maintained number three or number four spots, but, of course, their military power was limited as a result of the World War II. So they are one-dimensional powers.

And you can also see that certain developing countries, particularly China, India, and Brazil are becoming more important in world affairs from this table. So this confirms the Chinese view that the world is becoming *duojihua* or multi-polarization.

This table also shows that important economic changes would have far-reaching, long-term geopolitical impacts. For example, so you can see that China's economic development in the last three decades has been very successful. This explains very importantly China's rise in CNP.

And the conventional wisdom of the 1997 to '98 Asian financial crisis is that it resulted in Japan's decline and China's rise. And, of course, the most interesting question is currently we are in an economic crisis started in the United States. What does this mean after the financial crisis is over? Does that mean that China will further rise and the United States, given its economic mess and our military mess in Iraq and Afghanistan, -- what kind of a world we will see and what kind of a role China will play? Obviously, that will be a good topic for discussion. So for my purpose, I want to talk about China and India.

The important thing to note is that we are talking about not just China rising, but also India rising. So this is the point I want to make. These two countries have a very multi-faceted -- I'm sorry I have to quote Madeleine Albright -- relationship. And there are some elements about this complex relationship.

The first one is history. I won't say too much about history, except to say that a lot of people are surprised that even though China and India were ancient civilizations, historically, they actually had very little direct contact. Mostly, it was done by monks or traders.

And then during colonial times, because both were aggrieved by colonialism, there was actually some kind of a colonial solidarity. For instance, Chinese -- Nehru, the Indian Prime Minister, promoted a slogan, "*Hindi-Chini bhai-bhai*" meaning India and China are brothers. He also said that China was my most admired nation. So when the Chinese Communist Party founded its regime in 1949, there was actually a sense of Asian solidarity.

However, this solidarity would prove to be very short-lived. For one thing, colonialism also sowed the seeds of mistrust between the two. To begin with, the British government used to sign an agreement called the 1914 Simla Accord between Britain and Tibet and formed the so-called McMahon Line. I'll show you a graph in a moment.

And to Britain, this is to demarcate between the British, India, and Tibet. And the Indian government, after 1947, actually considered that international border. But the Chinese never recognized that treaty, because China argued that China was the suzerain power of Tibet. Tibet had no capacity to negotiate an international treaty.

And, so in 1950, the PLA entered Tibet and the two came into direct contact. And, of course, in 1959, the current 14<sup>th</sup> Dalai Lama escaped to India and India offered refuge, and this became another irritant. And then in 1962, the two came to war.

So history casts a long shadow between the two.

Geography. You would think that India and China would have their own respective sphere of influence -- South Asia and East Asia. What happened is that both developed missile technologies. So they are actually on the shrinking strategic chessboard. And also they maneuver in each other's sphere of influence.

For instance, China in recent years promoted the Shanghai Cooperation Organization. So it's into the central and southwestern Asia, and India is developing toward the east, the so-called look east policy.

Territorial disputes. I want to show you the graph. I apologize. This Brookings computer is not mine.

*(Laughter)*

KEN LIEBERTHAL: Okay. Now you've got 30 seconds.

VINCENT WANG: -- all right. Thank you.

*(Laughter)*

VINCENT WANG: This is the McMahon Line. Of course, India considered it an international border. This is the Indian state of Arunachal Pradesh. The Chinese never recognized this as Indian territory, and, in fact, they fought a war. In 1962, the Chinese soldiers easily dislodged Indians and returned to the Line of Control. And they also claimed that Tawang, this little area was the birthplace of the Sixth Dalai Lama and they claimed because Tibet is a part of China and Tawang is a part of Tibet; therefore, the entire Arunachal Pradesh is Chinese territory.

In 2006, before Chinese President Hu Jintao visited India, the Chinese ambassador to India, Sun Yuxi, said your entire state of Arunachal Pradesh is Chinese territory, get over it. It's pretty blunt for a diplomat.

And also in 2007, the Chinese embassy refused to give a visa to an Indian official from this state claiming that he is a Chinese citizen; therefore, he didn't need a visa.

*(Laughter)*

VINCENT WANG: All right. This is the eastern border, and this is the western border. The Chinese control the Aksai Chin, but India claimed that. And then in recent years, because of China's increasing natural resource appetite which Ken has written about, China is interested in developing its maritime power and establishing port facilities in the String of Pearls Strategy, which also very much unnerved the Indians.



To conclude, and I have a table comparing the two, I would like to conclude with three paradigms to speculate their future.

The first paradigm is geopolitical. I think everybody is very familiar with this. The balance of power, great power ambitions, and the elites in two countries tend to view each other very rarely.

The second geo-paradigm is geo-economic, which talks about the complementarity between the two economies. China's prowess in hardware manufacturing and India's prowess in software design and backbone servicing, this notion about "Chindia."

And finally, a geo-civilizational paradigm, which is something that very few people talk about, which basically says that these two ancient great civilizations have a lot of mutual admiration for each other. If they can think of themselves as the relationship between United States and Great Britain, perhaps this can transcend their mutual suspicions and so on.

So what is the final result? Either rivalry or "Chindia" or a pragmatic, selective instrumental management of their relationship. I'll leave that as open question. Thank you very much.

*(Applause)*

KEN LIEBERTHAL: As our panel reassembles up here, let me, if I can, make a few comments, and then we have plenty of time to open this up for Q&A and look forward to the issues you want to raise from the floor.

I think all of our presenters have provided very good overviews, and I think actually their general observations are quite consistent with each other. I did not hear three different contradictory views of China, but rather three aspects or three takes, if you will, with a set of common assumptions at the core.

And those common points, it seems to me, are basically the following: one that China probably wants to continue its development, and it's shaping its foreign policy fundamentally in order to sustain this capacity to continue domestic development.

Its task is complicated in this by three things: first is increased international involvement, in no small part because of globalization and the growing size of its own economy; secondly, the emergency of increasingly important non-traditional security issues that complicate life a great deal; and, thirdly, an ongoing deficit that China has in soft power.

I think all three of our presenters have concluded in one way or another that China sees the world is becoming increasingly multi-polar, but multi-polar with the

U.S. still very much as the single most important power. And so the issue is the balance between the U.S. and a variety of other rising or significant powers.

I will also conclude that China is taking a pragmatic approach to both working within the global system from which it clearly benefits and also seeking over time to make changes in that system, because, after all, that system was western developed and fundamentally remains western dominated.

If no one objects to those broad summary comments, I've got three questions I want to raise. I would ask anyone who wants to respond to any of those questions to feel free to do so, and then open it up to the floor for additional comments and issues that people want to raise from there.

Fundamentally, my sense was all of the papers were fine as far as they go. I want to push the discussion a little further. I want to do so as follows.

First, if China wants to make changes in the international system, what are the changes it wants to make? People commented, especially in more detail in their written papers than they had time to do poorly, but that fundamentally China wants to play a larger role or the developing countries ought to play a larger role. But what's the substance of the change? I mean, to do what? What needs to shift? Is there any texture to that?

Secondly, and relatedly, to how great an extent is China at this point really just feeling its way along? It aspires to be more of a shaper of the international system. It is clearly an active participant, but as it moves from kind of just acquiring an important global role to actually exercising its capabilities globally, is it testing the waters and trying to learn kind of what responses it gets? Is it muddling through at this point, albeit with aspirations for the future? Or is it being more strategic? And how should we understand that?

And then, third, China seeks to make contributions, positive contributions to the international system. It doesn't like to see itself as simply playing the game, but rather wants to be a country of merit that brings something very positive to the table.

The question is what is the discussion of the nature and extent of those Chinese contributions? I've seen a lot in the Chinese writings that say we need to, you know, good things; right? I've seen very little about what those good things actually are, and how much of an effort China should make and at what cost to China, if necessary, to China's more immediate interests.

To give an example, climate change is probably the biggest non-traditional security threat to China, and China's carbon emissions are probably the greatest source of harm to the global situation that China's development poses.

Can we, therefore, see reflections of an awareness of this in their discussion of clean energy and of their discussion of future economic growth given their obligations within a larger situation of a warming climate?

And if not, what are the areas where China is prepared to pay a price in order to enhance its contribution to collective goods? Okay.

So three broad issues. I don't know whether anyone wants to respond? Dave and then we can go down the line.

DAVID FINKELSTEIN: These are great questions. Let me start by saying that I'm not all that convinced that China actually has a grand external strategy -- in spite of the fact that this is the name of the panel to which we were assigned.

I think that Ken answered his own question when he said that China -- or when he asked the question is China feeling its way through all of these very complex and interrelated issues.

And I think that actually is the case. In fact, I would go so far as to say that China has since about 2002, three or four -- I don't want to put it down too precisely, but at least since the beginning of the new century, China has -- the Chinese Party State has entered an interregnum where it is starting to reconsider what are its national interests, what are the priorities of those national interests, what types of institutions do we need to have to go after those national interests, and what does the pursuit of those national interests, as yet to be defined and prioritized, mean for some of the ways we've done business in the past.

And I think that the very rich -- very rich amount of discussion within the Chinese government think tanks, academic circles, within the government itself through Hu Jintao's politburo study sessions is indicative of the fact that we're at this particular interregnum.

In my paper, I said that China finds -- and let me -- I was going quickly. I think China feels incredibly conflicted about its position in the world at the moment. It's -- I think no one is more surprised than the Chinese to find that they are a global economic force at this point in time and that their economic prowess has far outpaced how they had thought through strategically what that means for them in political and diplomatic issues, in economic foreign policy, and their place in the world.

So there's a lot of conflict that's going on.

And you still see that when you talk with Chinese friends. On one hand, they want the gravitas of a great power, but when things get too tough and they're asked to do the things that great powers do, they throw up their hands, less now than in the past, but still throw up their hands and say we're only a developed country.

And, in fact, the Chinese argue about what kind of country they are. There were some Chinese institutions who said there are three China's out there at the moment. There's a developed China, a developing China, and an underdeveloped China.

So I think they're trying to figure out which way they need to go. And they are as much constrained by their domestic conditions as they are propelled by any grandiose ambitions externally that they may have. That's number one.

Number two I think that the Chinese seem to me to be a lot better about telling us what they're against than what they're for. And so I think this whole idea that - and I think Arthur touched on it and so did Vincent -- that they're dealing with a world order that was pretty much established and whose rules were put together by Western powers or developed powers.

And they know that they want a seat at the table. They want to change it. But they can't change everything.

So here are some examples: The new concept of security. In 1998, the Chinese come up with a new concept of security, which was supposed to be an alternative way that countries should deal with each other, which some people believe was a left-handed attack on a U.S. alliance-based security system. And we've seen the Shanghai Cooperation Organization sort of operate on the new concept of security.

But when you get past the idea of principles and you start asking about how you operationalize these concepts, you start coming up short. So which is why I thought China's leadership role in the Six Party Talks was very interesting, because now they were really willing to sit at the table and take a stand and put some political capital on the line.

KEN LIEBERTHAL: Any others?

ARTHUR DING: I think Ken raised a very important question. What can we imply from these issues? If you read China's public sources -- for example, magazines that focus on foreign affairs, then you will see that most of the discussion is on a harmonious world. But we will ask what is the so-called harmonious world, *hexie shehui*? Then they talk about Confucius ideals -- those are principles, but how do you transform the principle into concrete policy? It can be operationalized.

They know that the more they are involved in the international community, then the more the pressure is imposed on them and China will be forced to make contributions, because if they don't make contributions, then they will not be recognized as a leading actor or rising power.

So there is some kind of a dilemma. On the one hand, they just want to have more of a voice, but what does that mean with regard to their new role? I don't think they have figured out. In general, I think that China is still in transition.

Even though in the conclusion of my paper it says that China takes cautious and gradual steps leading to more *yousuozuowei*, but in which field? I don't think they have a very concrete idea because for instance, in the international financial institutions, they know that the dollar remains the primary reserve, but they signed many swap agreements with different countries so that the RMB can be internationalized. But they don't have the capability and although they know it will take time, I don't think they know how long it will take.

This transition period or interim period will be very long for me because the U.S. dollar will remain the primary currency and the RMB will take a long time to, if possible, to replace the dollar currency.

So, in general, my feeling is that China doesn't have a very concrete idea how long its so-called strategy, if there is one, will be in making China into a leading power.

KEN LIEBERTHAL: Thank you. Vincent, did you want to say anything or you?

VINCENT WANG: Just briefly. I'll use two metaphors to answer your profound questions.

The first is Robert Hirschman's book, Voice, Exit, and Loyalty. I think that China had abandoned the exit strategy, the staying out of globalization dominated by the West. And initially it was a very loyal participant, but now it's beginning to voice, you know, of course, the two previous speakers talk about what exactly and can you ask the question what exactly does China want?

The second metaphor is I think China now is -- you asked whether it is feeling its way around or something. I think China is now trying to be the number two runner in a marathon. You see that in a marathon race, it's not very important which place you are initially. It matters a lot where you end. But it's very important you keep pace with the number so you don't fall too far behind.

Arthur's example of China's concern about the safety of its dollar-denominated assets in this country is a very good one because I think it's very ambiguous.

On the one hand, you can see that China's voice is entirely for to safeguard its interests, not to devalue too much. On the other hand, you can also see it's consistent with its, say, goal, if there is a long-term goal to gradually replace United States. So it's ambiguous.

KEN LIEBERTHAL: Thank you very much. We'll ask as we open the floor to please identify who you are, and, if you wish, direct your question to a single member of the panel or you can just address to the panel as a whole.

Why don't we start here and work our way around. There's a microphone, I think, circulating? Yep. In front, please.

QUESTION: Mike Green from Georgetown University and CSIS. I thought it was a very good discussion on Chinese use of multi-polarity. And I liked Vincent's hierarchy of comprehensive national power.

I wonder if you could say something more about how China sees alignments within the system. I've heard senior Chinese officials some years ago say that in general the alignments are more favorable to the United States. On the other hand, you have this great hope of Chirac and Schroeder a few years back helping China to counterbalance the U.S.

Then there's the BRIC Summit. So it seems that our Chinese friends are quite attentive to not only power but alignments within the system, and I wonder if you could say something more about how they see the trends.

KEN LIEBERTHAL: Does anyone want to?

VINCENT WANG: I think the post-9/11 strategic alignment actually unnerved the Chinese a lot. They see that the United States, primarily the Bush administration, using military diplomacy to strengthen relationships with Japan, Korea, and making inroads in Central Asia, and, of course, revitalizing the relationship with Pakistan and also the balance with India.

The Chinese actually feared that it's been encircled by the reenergized Bush policy. So the example you just gave, Shanghai Cooperation Organization or the China-Africa Summit or the BRIC Summit and so on to me they are attempts to kind of soft balance U.S. sort of a more robust foreign policy.

KEN LIEBERTHAL: Over here.

QUESTION: Pang Zhongying from Beijing -- maybe one of the few people here from mainland China. Just a quick response to your three presentations.

The first question may also be a comment. I quickly consulted with Richard Bush about the relationship between the forest and the trees and maybe both English and Chinese have a relationship to try to define the relationship between forest and the trees, (Chinese) in English called cannot see forest for the trees. So what does China mean?

And the second comment is related to this relationship. I think the multi-polarity argument is not only something that Chinese analysts advocate and agree on, but also many in Europe agree on this and promote it. Last month I attended a conference at Brookings, and the European participants said that this is a changing world, and there is a

growth toward multi-polarity to replace the unipolarity. Others in the United States also mentioned this is new polarity by Richard Haass.

My last comment is about China's leading role and China wanting to challenge America's dominance. For example, the U.S. dollar's dominance. I don't think China wants to pursue such a leading role, but a more proper role. And China feels that it can contribute, and it can play a larger role in the system, but it feels it also needs more voting powers, for example, at the IMF. So this is not a leading role question, but about how to redistribute the power system, the international system. Thank you very much.

I would like to listen to your first question what does China mean in your presentations. Thank you very much.

KEN LIEBERTHAL: Thank you. That was more a set of comments than questions, but does anyone have a remark they want to make in response or no?

VINCENT WANG: Just briefly. I think China's for a greater equitable international order not so much dominated by the United States does have some sympathy in other capitals, and this, of course, also speaks to the so-called democratic deficits in many keystone international financial organizations, such as the two in this town that people have talked about including Joseph Stiglitz.

But it's to say that just because China and India and Europe both all want to see a more equitable international order, it doesn't mean that they will go as far as to challenge the United States. I think this -- every great power it still would like to work with the United States.

KEN LIEBERTHAL: Okay. There's the mic.

QUESTION: Thank you. I think there's one very big issue, an elephant in the room, if you like, that hasn't been mentioned and that is the question of the Communist Party, because clearly from Deng Xiaoping onwards it's not just a question of increasing China's prosperity and power, however you measure it, but it's also maintaining the Communist Party in power in China. And that is the core of a sense of thinking about stability and so on.

This means that in engaging with the outside world, there is a deep problem, because, in many respects, many aspects of globalization and the nature of intercourse in the outside world can be seen as challenging to various aspects by which the Communist Party maintains its power.

So I think this produces a certain diffidence in approach to the outside world. In one sense, there is a need to embrace it. But in the other sense, there's a feeling that maybe it's -- it contains various kinds of threats.

And I think this inhibits the Chinese side, Chinese leaders, from really articulating, if you like, what set of values they would like to bring to the international community that would gather support.

KEN LIEBERTHAL: Okay. Thank you. In the back. Yes, sir? And the last table there. .

QUESTION: Vojtech Mastny, International Security Archive.  
I have a question to Professor Wang, and it concerns the respective views of the Chinese and Indian elites of each other. And I would like to invite you to relate to it somehow to those three paradigms that you mentioned -- the geopolitical, the geo-economic, the geo-civilizational.

It also sees some of the asymmetries. Now it is my impression that as far as the Indian policy elites are concerned, their view is balance of power pure and simple and not much beyond that, which is not the case -- and you may correct me here -- of the Chinese side that the view seems to be more sophisticated than that.

Now moving to the geo-economic paradigm, again, my impression is that maybe it is working out that way that the economies are complementary to trade is rising. But is there really a policy year based on a particular paradigm?

And as far as the third one is concerned, the geo-civilizational, isn't it just may be some wishful thinking among academics that one should admire the respective culture? Does it have much traction among policymakers, not to mention about the wider public?

VINCENT WANG: You're right. The Indian and the Chinese elites I interviewed you see more informed by the realist paradigm. But to say that everybody is a realist is obviously not true. And I also interviewed people outside academics or the so-called security community to interview businessman and ordinary folks.

So that's why I can give you the three different perspectives. In terms of the geo-economics, I think the Indian-Chinese economic relationship is on the rise. In 2003, the two countries upgraded their relationship to one of a comprehensive, cooperative, and strategic partnership. And they hope to significantly elevate their trade. I think now it's about \$40 billion, and their aim is \$60 billion.

So that's probably, upfront nothing, but it's still very small in terms of China's overall trade. So there's certainly room for further growth, and some segments of the Indian economy are concerned about shoddy products from China or some see it as sort of an economic -- so the debate is not too different from other countries who see China's economic rise as both as opportunity and threat.

Geo-civilizational, yes. The term is not coined by me. It's actually coined by Tan Chung who's Chinese and studied many years in India. And he pointed out the



fact that, Mao Zedong in his lifetime only visited to foreign countries. One, of course, was he was summoned to Moscow by Stalin. The other foreign country he visited was actually the Indian Embassy in China.

So it's to show -- and when Nehru visited Beijing, he was welcomed by half a million Chinese. And then when every Chinese died, they said they will go to the West, *xi*. The *xi*, of course, means the land of Buddha. So there is a lot of mutual admiration, but whether this will transcend their very real political and economic interests remains to be seen.

KEN LIEBERTHAL: Thank you. Yes, way in back, and let me note two things. One, we have a lot of people who want to raise questions, so even though we have nearly 30 minutes, please keep them quite concise, if you can, and finally I want to tell the panelists, I'm going to give each of you two to three minutes at the end for any reflections you have on the discussion as a whole.

QUESTION: Samar Chatterjee from SAFE Foundation. I think Mr. Wang you have a lot of questions, and since you talked about India and China, and there was the Shanghai Cooperation, I'm wondering if those differences that exist between India, China, and Russia and maybe Brazil now that the BRIC has come about, can they really come together to form a geo-political group that would prevent the United States from going towards like Afghanistan, Iraq -- now it's wondering Iran, North Korea, and Pakistan, and so on and on, which is kind of ridiculous, and I think there is a need for a geo-political opposition to the United States in continuing to do these war-like crimes in my opinion.

KEN LIEBERTHAL: So the question is whether the BRICs can actually work together in the international system to counterbalance the U.S. Does anyone? Vincent?

VINCENT WANG: We have two or three minutes at the end, so I'm going to defer that.

KEN LIEBERTHAL: Fine.

VINCENT WANG: More questions?

KEN LIEBERTHAL: David, do you have a comment?

DAVID FINKELSTEIN: Yeah. Thank you for the question and the commentary. I'm not convinced that they can. It's not necessarily clear to me that there's a lot more than immediate national self-interest that's bringing these people together. I don't see any real common ideological thread, any philosophy, any shared vision of the world really that is uniting these disparate groups that the Chinese, the Russians, and others may be putting together.

KEN LIEBERTHAL: Yes. Can we have the microphone up here? Thank you.

QUESTION: Thank you. I'm Mark Bruzonsky with Middle East.org. A follow up more specifically on the question that was just asked. In the next six months, we face maybe even the likelihood that Iran will have crippling sanctions applied against it. Israel and the U.S. pushing for it -- possibly even a military tack, which the Israelis and the national security advisors Uzi Arad are talking about very openly. Can we expect in view of the fact that Iran has become the largest oil supplier to China some kind of reaction from the Chinese at the U.N. or in some other way that would be very different from what we've seen before?

KEN LIEBERTHAL: Dave, you're probably the one most teed up on that.

DAVID FINKELSTEIN: Yeah, thanks for bringing that up. I'm not sure what we can count on from the Chinese. So I think it's an open question at this point. It's been difficult enough to get movement on sanctions on North Korea, and you correctly point out some of the economic equities that China has at stake. What you really do is you underscore with yellow marker the dilemma that the Chinese find themselves in as they continue to ascend to large power status. What are they -- what do they really stand for? How can they actually operationalize some of the principles that they're starting to espouse? And I think that the question that you raised is one among many that keep the Politburo up at night. So I don't know what we can expect, frankly.

KEN LIEBERTHAL: Go ahead and follow it. Over here, please.

QUESTION: My name is Jeff Genota. I've studied a lot of China-Taiwan relations in my undergraduate. My question is for Dr. Finkelstein. It's two questions, but just of the same coin.

This month's Foreign Affairs Journal published an article about the Pentagon's wasting assets, and I wanted to ask if the fact that when he discussed that China is increasing its capability to deny access to the U.S. military in East Asia in case of a certain crisis, would you agree that that is part of your assessment of China's grand strategy and is that because of concern to, you know, the Pentagon and national security?

DAVID FINKELSTEIN: Thanks for a great question. I don't know what the intent is, and, again, I'm not sure that there actually is a grand strategy, however you'd want to define it. But I think there's enough evidence out there on the table to be able to posit with some degree of confidence that the Chinese military is developing capabilities that seem to be focused on denying access to others into the region. In fact, there is some who will tell you that Chinese naval maritime strategy and U.S. naval maritime strategy, even if they don't intend to be directed at each other inevitably will cause some friction is, because the two strategies are antithetical.

Since the day that our republic was founded here in the United States, our national maritime naval strategy has been founded upon freedom of access, freedom of the seas, and especially in Asia maintaining access to the Asian littoral. And now we're at a point where Chinese maritime naval capabilities seem to be geared towards denying that sort of access.

I think that we've seen in recent and unfortunate incidents between our own naval vessel and Chinese military and civilian vessels in the exclusive economic zone some of these recent incidents a harbinger of things to come. These two militaries are going to be meeting each other more often than not and in ways they didn't necessarily plan.

And so, I don't know that it's part of China's grand strategy to be developing capabilities to do that, but the capabilities they are developing de facto have that impact, which is why I'm hoping that our two militaries can continue to rebuild the positive dialogue that hopefully has been resuscitated during the most recent Defense Consultative Talks this past month between USDP, Michele Flournoy and Lieutenant General Ma Xiaotian.

KEN LIEBERTHAL: Thank you. We still have a lot of hands up, and we have a little more than 10 minutes for questions before I give the panel time to give their reflections. So I'm just going to collect questions and not have people respond one by one unless there's something you really want to jump in on. If you'll just know what you want to comment on at the end fine, and, again, I'll ask you to keep questions fairly concise. We'll just work our way around, starting here and then up in the back and around.

QUESTION: Thank you. My name is Andrew Anderson-Sprecher. I work at Stewart and Stewart. I have a quick question. There's been discussion of strategies at a general level. Do different agencies and or departments in the government in China have different interpretations of perspectives on what China's strategy is or should be?

KEN LIEBERTHAL: Thank you. Yes.

QUESTION: Bill Jones, Executive Intelligence Review. My question is to David Finkelstein. With regard to the situation in Xinjiang, what do you think is the overall reaction or any rethinking in terms of the Chinese leadership on the Xinjiang situation, given that they seem to have been doing the right things generally -- the economic development, trying to bring in the countries in the area using that leverage on that, including the visit by Abdullah Gul just about a week or so before the riots who was there who praised the economic development and talked about Xinjiang as being the gateway between the Turkey peoples and the Han people.

And that seemed -- the riots really threw a monkey wrench into that political development. And it seems like it's in an area which is generally a very bad area -- a lot of rough characters around her wanting to cause trouble.

What do you think the effects of that's going to be on Chinese thinking in regard to their domestic policy and otherwise in terms of their internal security strategy?

KEN LIEBERTHAL: Thank you. Straight back.

QUESTION: Thank you. Damien Tomkins at the Atlantic Council. My question concerns Chinese contributions towards Afghanistan, Pakistan. Does there anything you think they could or should be bringing to that? Thank you.

KEN LIEBERTHAL: Good question. Eric McVadon?

QUESTION: Eric McVadon, the Institute for Foreign Policy Analysis. Dave, you spoke of the incipient expeditionary PLA. I kind of thought you were talking about something like the Gulf of Aden and maybe that was a big move toward multilateralism and sea lane security and energy security and those sorts of positive things.

From your comments just a moment ago, I had some doubts, and I heard Wu Shengli the other day say that he thought maybe the PLA navy didn't have the foresight to be looking beyond the Taiwan missions and actually contemplating such a thing. What did you mean and what do you think of Wu's comments?

KEN LIEBERTHAL: Thank you, and then right behind you.

QUESTION: Scott Harold of the RAND Corporation.

Dave, could you just comment picking up on the Xinjiang point, not just domestically. This is a big problem for Chinese international strategy and its relations with the Muslim world, which really kind of got a pass during the Bush years when the U.S. was perceived as being hostile towards the Muslim world. The Chinese were perceived as coming with just an interest in purchasing assets. And really to twin with that, maybe, Ken, could you comment on the recent detention of the Rio Tinto advisors. This is a real problem potentially for China's external relations in terms of both seeking FDI and also the go-out strategy. Thank you.

KEN LIEBERTHAL: Over there.

QUESTION: Stanley Kober with the Cato Institute. For years, I've been observing the Russian arms deals with India, and I always look to see if there's a Chinese reaction and expression of concern, and I've never been able to find any. So am I just missing something or are the Chinese not concerned about the Russian arms deals with India? If they're not concerned, why not?

KEN LIEBERTHAL: Thank you. Here and then here.

QUESTION: Zhuang Jian Zhong from Shanghai University.

My question goes to Professor Ding. Actually, I first actually thank you for the invitation to this meeting. My question to you is because you question whether it's realistic to China to pursue a policy of seeking a harmonious world. I think you forget the attributes. We are -- the slogan for our foreign policy actually is we are seeking to build a harmonious world of sustained and common plus parity.

So China is actually doing that. We are sending our peacekeeping force everywhere in the world. And we are helping to solve the North Korean issue, and others. We are helping the world to solve the financial crisis. What's wrong with this policy? Although there are still conflicts everywhere, I think as China as a responsible stakeholder, we should pursue this policy. I don't know why you question it's not realistic. Thank you.

KEN LIEBERTHAL: Thank you. Yes, sir.

QUESTION: Chia Chen, freelance correspondent. Dr. Finkelstein, the PLA haven't done any real fighting for a long time, not just U.S. Army fighting all the time since World War II. How do they make of this lacking? And we are modernize our army to fight a future war. The most important element is IT. Can you compare what these two countries doing in this regard?

And you mentioned about the financial order. My question would be for the three persons on the panel. In your mind, what China can play in the new world financial order? Thank you.

KEN LIEBERTHAL: Yes.

QUESTION: Szu-chien Hsu from the Institute of Political Science, Academia Sinica. There's a gentleman asking about different -- possible different views of different agencies within the Chinese government on the grand strategy. And the title of this panel is the grand strategy. I wonder if the strategy should be plural, the grand strategies?

To what extent do you think that the Party center is doing a good job in leading or coordinating different views, perspectives of grand strategies within the regime itself? We know in domestic politics sometimes the political agenda is driven by, so to speak, interest groups within the regime.

To what extent that is also true for forming the grand strategy of China in the international community, particularly I know Dr. Ding is an expert on PLA. To what extent you think different forces within PLA have different grand strategic views and how does the Party center is coordinating those different views? Thank you.

KEN LIEBERTHAL: Okay. Thank you for really a very good set of questions and a lot of them kind of cohere in many ways. Why don't we work in reverse

order from the initial presentations and so I'll ask Vincent to begin and then Arthur Ding, and then David Finkelstein.

VINCENT WANG: There are many good questions. We are wrestling with what China wants and what kind of player China will be.

I want to further comment a point I made earlier, sort of this ambiguous nature of China's foreign policy. Take some innocuous words like from harmonious world or peaceful development, for example. It seems that China is trying to do both -- on the one hand is trying to reassure the world. After all, who can be opposed to peace? I was thinking about that movie *Miss Congeniality*, who doesn't want world peace?

So it's basically like a placeholder. It's reassuring in diplomatic parlance, to reassure countries that might be concerned with or nervous about a rising China. But on the other hand, it's also exercise of Marxian dialectic, because once you accept the premise of peace or the kind of harmonious world China defines, then, of course, China can buy the time or depending on the circumstances to work out the details.

The kind of things that China is doing at this moment, which I use the RMB issue as an ambiguous example. Yes, on the one hand you can look at it as a very concrete attempt to shore up the value of as China's dollar denominated assets, but it is also consistent -- although probably not openly spoken -- with China's long-term goal to play a larger, increasingly larger role in world affairs.

Of course, it just likes over time the mixture of the first, which is the follower strategy, and the second which is the leader strategy, will gradually to change. And then, therefore, over time, you will see the results of the Marxian dialectic is actually a movement towards the kind of world that China desires.

I know, that this sounds a little abstract, but I don't know China has a grand strategy. I went to China and that's the first question I asked every interlocutor. And, in fact, some of them were very surprised that I even asked them that question, but, of course, we political scientists like to theorize it. We think that there is some kind of comprehensive strategy to coalesce all diplomatic, political, military means to defend China's national interest and to shape, the international environment in a way that benefits China.

ARTHUR DING: In response to Szu-chien's question.- we should probably talk about Chairman Mao. As David Finkelstein mentioned, strategy is also always contingent on circumstance. We know the decision-making process is very complicated, involving different sectors and different levels.

Frankly speaking, I don't know what the relationship between the CMC and those people in uniform is. But it seems the sometimes they have, in certain periods, they have so-called (in Chinese). Then they focus on this so-called (in Chinese).

For instance, in 1995-1996 Taiwan Strait Crisis, then they perceived that Taiwan wanted independence. They wanted to procure more weapons and to show that they want to deter the U.S. from getting involved in the Taiwan Strait, also called the Anti-Access Strategy.

So maybe another better way is to focus on what is the main contradiction in a certain period.

With regard to Zhuang Jian Zhong's question, actually there's nothing wrong with the "harmonious world" approach. It sounds very idealistic, by citing Confucius. But on the other hand, we see that China has this kind of ambition, and wants to build itself up and harness this rare opportunity to build itself. So then we will see what is the so-called harmonious world. What is its function? Maybe, as Vincent says that on the one hand, it is to try to reassure other actors or other powers that China will not expand, and on the other hand, China is trying to buy time to develop itself.

Chinese leaders often say that they are not seeking hegemony in the past at present and the future, but that they are making decisions for the next generation. So sometimes, the idea of a harmonious world may or may not persuade outsiders. For me, though, it's questionable.

Back to Pang Zhongying's question. Other countries also promote the *duojihua*, or multi-polarization. Well, the question is will China really benefit from this kind of a multi-polarization process or not? When we were graduate students, this kind of shifting coalition or the other more emerging issues were not seen before. So maybe it's a kind of an ideal, that China can be an equal, but will China really benefit from *duojihua* or not? I don't know. At this stage the internal discussion in China seems not as assertive as the bipolar system. This is at least the preliminary conclusion I draw from internal discussions.

KEN LIEBERTHAL: Thank you, Dave?

DAVID FINKELSTEIN: Thanks for a really interesting set of questions.

On the first one, on strategy, differing strategies and perspectives within the Chinese system, how can I possibly answer when I'm sitting next to the author of "How China is Governed." I tell you with great embarrassment and not a modicum of frustration that I am less certain of what I think I really understand about how the Chinese government develops policy today than I was 30 years ago.

And I tell you that in all honesty that what I see going on is there are such a diverse set of issues that the Chinese establishment has to deal with. I wonder how do they rectify all of the competing bureaucratic interests from issues set to issues set and is there -- and they're so diverse. And what mechanisms are there that bring it all together and impose some large strategic principles or concepts upon them?

Do the leading small groups do this on their own? Do the ministries even matter? Does the Ministry of Foreign Affairs make policy or merely execute policy? I mean these are questions that I still have, and I'm trying to answer. Who brings all the leading small groups together? How does the system unify their approach to these issues?

I frankly don't know. It's very clear that each ministry has its own or each *xitong* has for lack -- I don't think ministry is a good word, but *xitong* is a better word for because we have enough Chinese friends here to use it, has their own bureaucratic and parochial interests at stake in whatever set of issues are being dealt with.

How these get resolved is an open-ended question, and frankly the Chinese process is not transparent enough yet for me to be able to look at open source materials and state with any confidence that I understand how it really works out.

So I apologize for not being very satisfying on that one. Ken, if you want to add on that later on, we'd all be grateful.

On the issue of Xinjiang for Bill and Scott, you know, what I saw going on in Xinjiang on the part of the Chinese authorities was applying the very important lessons they think they learn from 1989 and every other Chinese disturbance since then.

This is serious. Take care of it. Don't let it get out of control. Hu Jintao is leaving Italy. He's going to be back there to take control. Make sure stability is reestablished. Whether or not one cares for how that is done is a different question.

But -- and that's a debate that honest men and women can have. But it seems to me that they were very quick to impose stability once again.

And, Scott, I think that -- I think Xinjiang may have the potential to be a sticking point in relations between China and the Muslim world. I was sort of surprised -- maybe I shouldn't have been -- but I was surprised at the reaction that we got from Ankara that this was -- there was this pretty tough talk from the Turks, with whom the Chinese generally have a pretty good relationship, and the Chinese actually look to Turkey as a model in some cases because how does a traditional civilization become secular, right, and work its way through some of the shoals and reefs of a complex world.

So this could have the potential to have repercussions, but we'll have to wait and see.

On Afghanistan, Pakistan, I mean clearly, clearly the government of the People's Republic of China has some serious equities at stake as they watch and figure out what the U.S. is going to do now that we have the hyphenated front known as Af-Pak. I mean China does not have military alliances, but, if they did, Pakistan would be right up there on the top of the list that they would sign up.



So the good news I hope will be or has been -- the good news I hope has been that this issue has been talked about in detail at the recent defense consultative talks that were held in Beijing, and I'm also hoping that I assume it will be a topic of discussion between Washington and Beijing later on this month during the strategic and economic dialogue that will take place here in the capital.

We absolutely have to talk to the Chinese about this issue, and the Chinese should be thinking about how they can potentially be a force for stability and positive movement on those fronts.

On Russian arms sales to India, I don't know why there hasn't been a lot more in there, but maybe it's just not going out into the open press. But certainly, the Chinese cannot be happy about a lot of Russian arm sales to India, especially after the Russians just decided not to sell them, the Chinese, some fighter based on IPR violations. So that hurt even more.

Admiral McVadon, on incipient expeditionary PLA what does that mean? Okay. Let me tell you what it does not mean. I'm not here to suggest that the PLA is going to be turned anytime soon into a force that can conduct sustained combat operations anywhere in the world. That ain't going to happen. All right.

What I do see happening is that the PLA is developing the capacity, the thinking, the mentality, to take discrete force packages and send them along China's periphery and in some cases beyond, as evidenced by the Horn of Africa anti-piracy operations in order to secure China's interests when the center, however that policy is decided -- remember I don't know how; right -- however that policy is decided that discrete force packages can be sent out to show the flag and then actually engage in some operations.

You know, the whole concept of military operations other than war is not just humanitarian assistance and disaster relief. If you look at the old -- the joint publications that the Joint Staff puts out, which the Chinese self admit they've been studying, it's also about low-intensity conflict.

So, you know, we should be prepared psychologically to see a little bit more of that and how those decisions will be made I do not know.

On the last issue of the elephant in the room, yes, Michael, it is about the Party. And the unstated but needs to be restated assertion at the get go is that whatever the strategy is, it must be there to ensure the maintenance of the regime. It's not just about the Party, but it's always about the Party.

I think I'll just wrap it up there.

KEN LIEBERTHAL: Well, thank you very much. Before we express our appreciation to the panel as a whole, I just want to review a couple of logistical issues.

I gather we now break for lunch, which will be out here. You can bring lunch back to your table. If you are leaving and not coming back, please take items from the table with you so that people know the seat is available.

RICHARD BUSH: Just one emendation to that. The food is actually located in two places. It's in the hallway off the Falk Conference Room, where this group is. And then there's another set of food in the Somers Room, which is across the lobby in the back. And what I'd suggest that the Falk people sort of get the food right next door, and the people in Saul and Zilkha who are watching this on the closed-circuit TV go across the lobby to get it in the Somers Room. Sorry for the interruption.

KEN LIEBERTHAL: No, thank you. And I hope you'll all join me in expressing our appreciation for a really excellent panel and discussion.

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