

**THE BROOKINGS INSTITUTION**  
**CENTER FOR NORTHEAST ASIAN POLICY STUDIES**  
*and*  
**JOHN L. THORNTON CHINA CENTER**

**CONCEPTUALIZING FUTURE  
UNITED STATES – CHINA RELATIONS**

*The Brookings Institution*  
*Washington, D.C.*  
*Tuesday, September 25, 2012*

[PROCEEDINGS PREPARED FROM AN AUDIO RECORDING]

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## PROCEEDINGS

RICHARD BUSH: Ladies and gentlemen, if I could have your attention please. I think it's time to start. My name is Richard Bush. I'm the director of the Center for Northeast Asian Policy Studies, and my Center is joined with the John L. Thornton China Center in bringing you today's program, "Conceptualizing Future United States-China Relations," which is all about a new book edited by our friend and colleague, David Shambaugh, called *Tangled Titans*. I don't have much to say because there's a lot of brainpower up here, and I don't want to get in the way of it. But I will say one substantive thing and one parochial Brookings thing. First of all, I think, in my humble opinion, that the future of the international system in this century will be a function of how the relationship between the United States and China works out. And so, having books like *Tangled Titans* is really valuable for understanding, in depth, what's going on in that relationship. Second, I need to tell you that David Shambaugh, who is the editor of the book and professor at George Washington University, is also a valued non-resident senior fellow here at Brookings. Finally, I must say that Harry Harding, also on the panel, has Brookings in his past. He had a distinguished period here in the 1980s before he went off and had an even more distinguished period at George Washington University. So without further ado, I'd like to invite David to come up to the podium and begin the program. David?

DAVID SHAMBAUGH: Thank you, Richard, very much, and Jonathan and, respectively, CNAPS and the Thornton China Center here at Brookings for hosting this morning's event, and helping us launch our new book. I really do appreciate that, and I'm really pleased to share the podium with my good friends and colleagues, not only Richard and Jonathon with whom our friendship dates back 30 years, but Ashley and Harry, as well. And welcome back to Brookings, Harry. Welcome back to Washington. Great to have you as part of this event.

So, I hope, first of all, you can get a copy on your way out, if not on your way in. And I hope you enjoy reading *Tangled Titans*. It makes for a great holiday gift, with the holidays on the horizon. So, since time is rather short, and we have a lot of brainpower up here and, indeed, want to let everyone have their adequate time, and that includes you. We want to have good discourse back and forth with the audience. Let me try and be rather brief.

I just want to highlight two things about the book. First some words about the origins and the organization of the book, and secondly, its main arguments and conclusions. This is Washington, after all. You need takeaways. What's the bottom line of 482 pages? I wish Washington were not like that, but, unfortunately, it is. So, let me try and highlight those two things.

First, origins. There are two main origins to this volume. First, as a professor who teaches courses on U.S.-China relations, including this semester; I'm teaching a graduate course at GW on the subject. I've found in recent years that all the books on the subject, and

there are, indeed, many excellent ones including by Jim Mann, sitting here in the second row, really excellent books. Harry's book, many, and probably others in the audience, but I've found they've all become quite dated, and the relationship has really moved on and changed from those books.

And there was a real need, at least from a teaching perspective, for an up-to-date volume that comprehensively looked at the state of the relationship in a sophisticated and scholarly, not journalistic, way as possible. No offense to journalists, there, Jim. And I think in this volume, we've accomplished this. It has 16 chapters, which is a big book, from truly leading experts across the world, not just from the United States and China, but also from Europe, on different aspects of the relationship. We take the relationship as sort of the dependent variable in the book, and all 16 chapters, then, really look at the independent variables that are affecting and will affect the nature of the relationship, and we do this from seven perspectives.

Seven, if you're kind of thinking independent variable terms, seven different drivers. Historical, theoretical -- historical, I should say, superb chapter written by Nancy Bernkopf Tucker from Georgetown University, two sort of paired-theoretical chapters written by Ashley Tellis on the realist perspective on U.S.-China relations. And another one by John Ikenberry at Princeton, who we, in fact, wanted to have here today for this launch, but it conflicts with his teaching schedule, so he could not join us. So, the liberal voice is going to be a little bit lost in today's discussion. But we have those two theoretical chapters.

We then have a pair of chapters that focus on the domestic sources of U.S.-China relations, one on each side. American sources and Chinese sources written by my colleague, Robert Sutter at GW; and Yufan Hao, who was recently a visiting scholar here at CNAPS just a couple of months ago. He's from the University of Macau; took his PhD across the street at SAIS. Then we have a series of four chapters on different arenas of interaction, if you will. Bilateral areas of interaction. Diplomatic arena by Bonnie Glaser, CSIS. The economic-commercial arena by Charles Freeman III. The cultural arena by Terry Lautz, an understudied, underappreciated, undervalued arena in U.S.-China interactions.

Terry has written, to my mind, to date, the definitive study on this dimension of the U.S.-China relationship. If you read no other chapter in the book, read Ashley's, and then read Harry's, but read Terry's. Terry's is really superb. And finally, the military security arena by Chris Twomey of the Naval Post Graduate Institute in Monterey.

We then look at the regional context in which the United States and China interact, first across the Taiwan Strait, not an unimportant aspect of U.S.-China relations. Shelley Rigger contributed one of the best things I think she's ever written amongst many, many things on that. And then, Avery Goldstein, University of Pennsylvania, has written about the U.S.-China interactions in the entirety of Asia: central, south, southeast, and northeast. Not an easy thing to squeeze into one chapter, but he's done that.

We then have the sixth area, the global arena, because this relationship has, indeed, what's notable about it, what's new about it, is it's gone global. It's always been a bilateral and a regional relationship, but is now a global relationship, and there are two chapters there. One by myself and my PhD student, Dawn Murphy, that looks at, literally, every region other than Asia -- how the U.S. and China interact in the Middle East and Africa, in Europe, in Latin America -- those four areas. And a chapter by Rosemary Foot, University of Oxford, on U.S.-China interactions in international organizations and global governance.

So, these are kind of the six independent variables that we examined in the book, and then we conclude the book with two forward-looking kind of vision chapters. One by Wu Xinbo, Fudan University. We wanted to have the Chinese voice in this, after all, and by Harry Harding. So, for those who haven't actually picked up the book, that's what's inside, and I hope that's enough teaser for you to go out and buy one on the way out.

Briefly, another word about origins. The volume lay in my own uneasy, but growing, sense that many of the fundamental elements in the U.S.-China relationship had shifted since the 1990s, and there was a real need for an academic re-assessment of it. I had this sense, before going to China on sabbatical in 2009-10, but that sense only solidified and crystallized during the year I lived there in Beijing and traveled around the country. During that year I experienced and witnessed many things that led me to understand that things were changing, and qualitatively so, and all was not well in the U.S.-China relationship. I witnessed the frosty reception offered President Barack Obama when he paid a state visit to Beijing and Shanghai in November 2009. I witnessed, one month before that, the parade on the 60th anniversary of the PRC and Tiananmen in which for two hours we saw very advanced military equipment, much of it had been developed to deter the United States, roll down the avenue across the square.

I witnessed several other disconcerting elements during the year. I'd seen other presidential visits to China, two or three in my life. I'd seen the rather effusive public receptions given to American presidents. There was no effusive public reception given to President Obama because it wasn't permitted. The Chinese government controlled every minute of Obama's visit to China, from the time he got off the plane in Shanghai to the time he got back on in Beijing. Jeff Bader may well dispute that, but that's what I and many others witnessed.

There was no speech to the public. There was no public interaction, nothing in that dimension. And so, that was a distinct rebuff, I think, to President Obama, and was symptomatic, I think, of the subterranean strains in the relationship. So, after he left, of course, we saw a series of events cascade over the subsequent months. The Google case, the Copenhagen Climate Change Conference, the American decision to sell arms to Taiwan, Obama's meeting with the Dalai Lama, increased imprisonment of Chinese dissidents, a deterioration of the business climate in China for both the American and foreign firms, some tense encounters between Secretary of State Clinton and Foreign Minister Yang in Hanoi and elsewhere.

This relationship just -- it didn't go into freefall, but it went into sharp deterioration after the fall of 2009. This was also the period of China's so-called assertiveness in the region. And in talking to various Chinese, from students to taxi drivers to long-time friends, it became clear to me during that year that the appeal and the allure of the United States, which had been so present previously, had worn off, and been replaced by a combination of disinterest and disgust, to be candid about it. Many Americans, not just my feeling -- many Americans who were living in China at the time commented on that. The people in the U.S. Embassy, including Ambassador Huntsman, will tell you how they were frozen out of meetings with the Chinese government, not to mention Chinese society. You talk to people in the cultural section, the political section, other parts of the U.S. Embassy -- could not get appointments. And then, one was treated to regular doses in the Chinese media and academic meetings of the so-called "China Model" which was being touted as an alternative to the failed American Model in the wake of the U.S.-triggered global financial crisis.

So, all these things during that year might have been an unusual year, and I kept asking myself, after more than 30 years -- I'd been going to China for 32 consecutive years. I've been watching China and the U.S.-China relationship for more than three decades. I've learned that we have ups and downs. We have cycles in this relationship, and I kept telling myself, David, this is just sort of a bad patch. We'll get through it. But something told me that something more fundamental and qualitative and negative was, in fact, at work.

Fundamental changes were taking place in the relationship, so when I returned to Washington after the sabbatical year I also found that there had been a shift in perceptions in this city. China's so-called year of assertiveness had produced a kind of paradigm shift amongst Washington's China watchers, and indeed, in the Obama administration itself. A new edge was also apparent in conversations with U.S. officials that had not been the case two years previous before I left. During that time, when Obama had come into office there was great hope for, not a "G2," but a global partnership and global governance on regional issues. The two countries could really work together.

So, the atmosphere really changed during my time away, and this just served to strengthen my sense that there needed to be a study that assessed, afresh, what was going on in this relationship. So, this book, *Tangled Titans*, is the outcome. That's the background to what spurred me, anyway, to organize these 16 authors to participate in the project.

Now, let me turn to the substance. If there is one main theme, one argument, or one conclusion, in the 482-page book with 16 chapters—I'm not sure there is. We didn't go into this project with any sense that we had to come up with a conclusion. It was very much a bottom-up empirical exercise, but at the end of the project we, I think, collectively came to two conclusions. First, on the one hand -- well, the conclusions are embodied in the title of the book, *Tangled Titans*.

"Titans," of course, refers to big powers. You know, these are the two major

powers in the world today by a number of measures, and they are tangled together in virtually every domain: strategically, diplomatically, economically, socially, culturally, environmentally, regionally, internationally, educationally, scientifically, you name it. There's no other relationship in the world as densely woven together as the U.S.-China relationship, and that interdependence produces need for cooperation in all those areas. I repeat -- need for cooperation.

But on the other hand, there is a distinctly growing competitiveness and distrust in the relationship across all those areas, I would say, except educational. I'll get back to it, but if the educational sphere is the only area in U.S.-China relations at present I can point to that I can say is going well, but even there, within scholarly exchange, and I can tell you having been a Fulbright Scholar during the year in China, things are not going well. There continue to be major problems is scholarly access in China for American scholars so, probably, not even in the scholarly academic world.

So, that's the notion of tangledness -- it's a kind of dialectic. And this sense, by almost all the contributors in the volume, is born out in a very recent interesting recent September 18 Pew poll. If you haven't seen it, I suggest you go online and try and find it. Pew Global Attitudes survey, in this case, polled both the public -- 1,004 members of the public, and the elite -- a series of 305 elite experts in the United States, and it found strong majorities across both experts and public that China is a competitor of the United States. 66 percent of the experts found China to be a competitor; 80 percent of the public.

Moreover, China is seen as "untrustworthy" by both sectors, 84 percent each. That's just recent, came out after the book did. But it kind of sustains the sense that we developed in the book. Now, to be sure, the relationship has always demonstrated these twin features: cooperation on one hand, competition on the other. This is not new. It's a condition that I refer to in the book as "coopetition." It's simultaneous. It's both. Relationships always mix these two together, but what has changed is the balance between the two. I would argue that up until, maybe the last four or five years, the predominant balance in the relationship was on the cooperative side, and the competitive side was extent but considerably less.

Now the balance has shifted, and my personal view, and I think, many of the other chapters in the book, you'll certainly hear that in a moment from Ashley, I think. The competitive elements in the relationship are growing, have now become primary, while the cooperative ones are secondary and declining.

So, what does that suggest? With a note from the chairman that I really need to wrap up my comments, let me see if I can truncate. I am near the end, but let me see if I can truncate. What this suggests to me is that the relationship is that this is the new normal, okay? And we better get used to it. The relationship is in a state of what I call "competitive coexistence" where we have to manage the competition, and to the extent possible, expand the zone of cooperation, and both are necessary. But I would argue that expanding the zone of cooperation is going to be increasingly difficult and we Americans need to be honest with

ourselves about the possibility for that. We are not finding the partnership on the Chinese side that many administrations, not just the Obama administration, have sought.

So, we need to have an honest conversation with ourselves. I think whatever administration enters office after November needs to have an honest conversation with the American public about engagement and cooperation with China. And then secondly, we need to be publicly honest with China about the competitive elements. We can't continue these happy, happy visits that Leon Panetta recently took and others take. You know, it shows there's a kind of façade to the relationship, you know, trying to make normal on the surface where everybody knows underneath things are not normal. They're not normal at all. They're dysfunctional, and there's deep strategic mistrust. What we need to do, frankly, is what Professor Lieberthal and Wang Jisi did in the Brooking study recently to talk about this openly, and I commend that study to you if you haven't read it.

So, just to conclude, I would argue that *divergence* of interests rather than *convergence* of interests and policies now characterize the relationship. I could elaborate on that, but I'm going to skip that. You can read it. Maybe that's incentive for you to buy the book. You can read more about it.

But this is not good news -- this new competitive dynamic, for me. It's not good news for the United States. It's not good news for Asia. It's not good news for China. But it's reality, and I think we need to sort of engage reality and not sort of continue along the lines of, you know, blind engagement.

But having said that, this is a very complicated, fraught relationship in which -- this is a marriage in which divorce is not an option. We have to co-exist with this country unless you want to go full down the spectrum to a real conflict. We don't want a conflict with China. They don't want one with us. So, again, I just conclude, the task before us is to manage the competition. This is the new normal, so that's a paradigm shift. We have to get our brains around how to manage an essentially competitive relationship. It's not the Soviet Union, but there are increasing signs of that kind of competition. So, I will leave it there. I'm sure my colleagues, Ashley and Harry, will elaborate further. Thank you very much for your attention. (Applause)

DR. BUSH: Thank you, David, for that terrific, even provocative framing, and that gives Ashley something to follow.

ASHLEY TELLIS: Thank you, Richard, and thank you, David. I want to start by just expressing my thanks first to Richard and Jonathan and Brookings for hosting us at this release event. And to David for inviting me to write a chapter for this book which turned out to be, actually, a quite remarkable opportunity and an experience. As David mentioned, he asked me to write a chapter which had an explicitly theoretical cast, or at least started out with explicitly theoretical premises to think about the U.S.-China relationship from the prospective of realist theory. And rather than descending into the weeds of modern debates in realism,



which I must confess bore me to tears, because they end up being somewhat unproductive exercises in product differentiation rather than real insight.

What I thought I would do was really start off with some very generic conceptions of realism centered on what the classical writings on realism essentially held forth, and that generic version of realism essentially centered on the premise that political relations are ultimately competitive relations. And so, it's really that thin premise on which I based the chapter, and then I proceed to describe the kind of world that I see China and the United States entering into in the years and decades to come.

Let me start by describing to you what I see as the three critical premises or the three structural factors that define the character of the relationship. The first is that the United States and China are tied together by relations of security interdependence. That is, the choices each side makes in the areas of high politics begins to affect the other, and this is, in part, because as David mentioned, these are two global powers. They have global interests, and therefore, the choices one makes immediately has an impact on the other.

A related dimension to the character of security interdependence is the new reality of economic interdependence, and this is something that has, obviously, occurred in the last 30 years. And it complicates the challenges of security interdependence because at one level, economic interdependence serves to buffer both sides against the worst amplitudes of security competition. But on the other hand, economic interdependence also brings its own anxieties and its own discord. And so, a fundamental characteristic of the U.S.-China relationship in the decades to come will be managing politics between these two bookends, between security interdependence and security competition on one hand, and economic interdependence and growing trade and connectivity on the other. So, that's the first characteristic.

The second characteristic, which again, I see as a structural characteristic in the relationship is that there are changing patterns of comparative advantage. That is, the sources of comparative advantage that each side either enjoyed or lacked in yesteryears are now beginning to shift. To take a very simple example, the economic sources of power that the United States could take for granted 100 years ago are no longer sources of power that the United States will be able to take for granted.

The same is true with respect to military capabilities. And you can actually go down the list of all the issue areas in the U.S.-China relationship and map out how these changing patterns of comparative advantage are beginning to be manifested, and will manifest themselves continuously over time. This is important to recognize because when changes in comparative advantage occur, there are, first, domestic consequences because there are winners and losers. And two, there are anxieties that arise in one's international behavior because the sources of assurance, the kinds of capabilities that one took for granted in the past, may not be sources of assurance for the future. And so, one needs to pay attention to the fact that there is this change that is taking place.

And the third and last point I want to flag is that the relationship between China and the United States, increasingly, is a relationship that is going to work itself out under the shadow of a possible future power transition, and this is something that realists going back to Thucydides were very, very conscious about. That when you have changes in the relative capacity of nations, the rate of that change, the character of that change, begins to impact the calculus of both the power that is relatively declining, as well as the power that is in relative ascendancy. And that causes a great deal of perturbations in the bilateral relationship.

Now, in saying this, I want to make very clear, and I say this clearly in the chapter that it is not a given that China will overtake the United States by measures of comprehensive national power; however, one cannot avoid the possibility that China might. And the fact that China might creates a corrosive dynamic in the bilateral relationship that cannot be avoided. For those of you who had to suffer Hobbes' *Leviathan* in graduate school, you will understand what Hobbes meant when he talked about the dynamic of anticipation as being one of the three causes of quarrel in the state of nature, where human beings being what they are, they're constantly thinking of the future. And they're not only thinking of their power capabilities today or their ability to protect their interests today, but they're also thinking, anticipating, what future changes might accrue to their capacities to protect their interests.

And so, the very possibility that China, over time, could become a rival in the full-fledged sense of the word begins to affect the calculations of both sides. And so, this is the structural variables that, in a sense, define what I see as the trajectory that will characterize U.S.-China relations.

In this framework, what are the objectives of the two sides? I see the objectives of the two sides as being at least competitive, if not rivals, today and could possibly be rivals in the future. I see American objectives as being focused fundamentally on protecting its primacy, the primacy that it has enjoyed at least since the end of the Second World War, and protecting the advantages that accrue to the United States from that primacy. This has been whether we have stated it or not, a very clear national security objective of the United States, and I do not see that changing in any fundamental ways.

I mean, the rhetoric, the packaging, the kinds of documents we may issue from successive administrations may color this. They may have, sometimes, a harder edge to it. Sometimes they may have a softer edge to it, but I think the core objective of the United States will be to protect the primacy that it has enjoyed for several decades.

China, on the other hand, I see its core objectives, increasingly, as focused on mitigating the impediments to its growing ascendancy by securing whatever prerogatives of that ascendancy it believes are justified without leading it to a full-scale conflict, because a full-scale conflict, obviously, threatens to undermine the world in which its ascendancy is occurring.

So, when one maps these two objectives, I definitely, in the chapter, suggest that there is a tension between the two, and that managing the tension between these two objectives is really what the U.S.-China relationship -- that's going to be the warp and the woof of the U.S.-China relationship in the years to come.

I see this tension increasingly manifested in three big issue areas which I describe in length in the chapter. The first is in the area of economics, and in the area of economics there is a central problem that I think faces, particularly, the United States. I see China's rise as a great power as being a rise that is fundamentally imbedded in an American-led global order. In that sense, the United States has really been the progenitor of China's rise, which leads to a very interesting challenge from the point of view of U.S. national security making, which is if the American-led global order was designed, initially, to protect American interests, as all global orders are -- they are intended to protect the interests of those states that create them -- how does the United States cope with the reality that the global order that it invested in, in order to protect its own interests, now is producing a new range of competitors that one day could threaten American interests?

I mean, this is the heart of the challenge that the United States is going to face as long as the forces of globalization and interdependence continue to gather steam. And it poses very difficult questions for the United States. Does one continue to invest in this global order even if one is not gaining from it as much as others? Does one retrench from this global order? Does one replace it with other kinds of global orders that may be; either embedded in this logical global order but are probably more beneficial to us? Or does one gut the global order itself because it has ceased to provide the gains for the United States as the founding generation after World War II might have imagined? It's this problem in the global economy that I see as one that is going to challenge China and the United States.

Now, China, obviously, has great advantages and great benefits in hoping that the global order survives because it provides it exactly the advantages that take it to great power status. For the United States I think it's at least going to be debatable. Now, if at the end of the day this story works itself out with an American return, in a comprehensive sense, that is, the United States actually manages to make a major comeback as a global economic power, this debate is academic because the global order will have served our interests. All that has happened to China in the interim will have been a minor perturbation, and we can all go back and possibly write a new book under David's enlightened leadership about the world that, you know, might -- the world that would look like if that was the outcome.

But if that outcome does not occur, then I think the whole question of what challenges China's economic growth poses to the United States, the impact on our domestic politics, which are significant. The consequences for the transition of the United States from industrial power to something else, again, will be issues of great debate. By the way, what I've just described to you in a generic sense is what political scientists and economists call the debate about relative gains, and there is a huge literature in both economics and political science about relative gains and the struggles that occur about relative gains under conditions

of security competition.

There's a second broad area in which I see U.S.-China relations as being potentially intentioned, and that's the military arena. The rise of China, like all other great powers that have preceded it, will be accompanied by a growth in military capabilities. Because of China's location on the Asian mainland, the rise of China inevitably will be the rise of a new Asian hegemony, and with the rise of that hegemony will come China's increasing interest in constraining American freedom of action.

This has already been triggered, as David flagged, by the problems that the United States and China have over Taiwan. But even if the issues of Taiwan are resolved, China's own natural interests will move it to a point where it would want to create a certain buffer around its periphery from the pressures that can be applied upon China by the United States and its military. The very fact that China will continue to make these investments in creating that protective buffer will end up, essentially, constraining the United States and its freedom of action around Asia. Implicit in this are a whole range of issues related to U.S. extended deterrence because the U.S.-China story is not simply a dyadic story between the U.S. and China, it also impacts the security and the interests of many other states around China's periphery, states that rely on the United States for protection and for support.

And so, the challenge, increasingly, in the next two decades, I see, in the military arena will be one between the struggle for preventing the United States access versus the United States making the investments to protect its continued military access to the Asian mainland.

The third and last arena, and I'm going to end very quickly on this note, will be the increasing geopolitical rivalry that will be seen in the Asian continent, not simply between China and the United States, but China, the United States, and the peripheral Asian powers. The United States will be involved in this geopolitical rivalry because it has extended deterrence obligations to many Asian powers which will seek to use the United States as protection as China grows in strength.

China's interest in this environment will be to prevent large-scale regional balancing against China while breaking up the potential balance in coalitions that may arise from time to time. And the regional powers will have their own interests at play. Each of the regional powers will want to avoid being confronted with the choice of abandonment by the United States, while at the same time avoiding entrapment, being caught into any agendas that the United States may have vis-à-vis China, even as they seek to continue to enjoy American protection as this play works itself out. So, the bottom line, in my chapter, is that U.S.-China relations, because of these structural factors, are going to be relations that are defined more and more by competitiveness.

As I see the world and read the world and write the chapter, this is not a morality play. So, in the chapter and beyond, I'm not in the business of blaming China or

exonerating the United States. I simply say that the interests of the two sides are not convergent enough to prevent the kind of cooperation that many liberals would want to see occur effortlessly. We may be lucky to avoid conflict, and that may turn out to be the end result, which if it does, I think we should all be gratified. But it's going to take a lot of work between now and then because overcoming these structural factors that make for competitiveness, and make for rivalries, will be very hard to overcome in the normal world of politics. Thank you. (Applause)

DR. BUSH: Thank you very much, Ashley. I'm sure that you have stimulated a number of questions on the part of our audience. You've stimulated a couple with me. Now, we have Harry Harding.

HARRY HARDING: Thank you, Richard, very much. And it's really a great pleasure to be back here at Brookings where I spent so many very happy and productive years. And especially to be back in a room that, both on the dais and in the audience, has so many people who have been colleagues and friends over the years. It's terrific to have the opportunity to share my thoughts with you, and to have had the chance to participate in this very interesting, and I think, very useful project.

When I started thinking about my chapter, I began in much the same place as my colleagues began: a concern that the U.S.-China relationship was not only becoming more complicated, but was becoming one in which there were increasingly competitive elements. That we'd gone past the point when we could debate, usefully, whether it was going to be a, primarily, cooperative relationship—remember the phrase “constructive strategic partnership”—or whether it was going to be a relationship that was doomed to conflict, or whether it was a relationship that was going to be doomed to rivalry. I increasingly came to the conclusion that it was going to be a blend of both, although, as we've already suggested, the relative weight of these three elements could change over time and over the long run, the nature of that blend remained uncertain.

But as I thought about it further, it occurred to me that there was still a missing element in the analysis and that was to look at each of these three elements: cooperation, competition, and conflict. And to ask what character each of them would take because there are many kinds of conflict, many kinds of cooperation, and many kinds of competition. And that's what I tried to do in my chapter, and what I'll do today is to go a bit beyond the chapter and to indicate how I think the analysis may shed some additional light on one of the most frequently talked about aspects of the relationship, and that is the mutual mistrust between China and the United States.

Let's begin with competition. In the strategic sphere we tend to immediately recoil in apprehension when we talk about or envision a competitive relationship, and yet if you think about it, that is not true of other areas of human endeavor. In other areas of endeavor, especially economics and politics, competition is seen to be a good thing. That's why we have competition policy. That's why we have laws against monopoly. That's why we believe in

pluralistic political systems. That's why we believe in the marketplace of ideas.

So, the first thing to ask about competition is whether that competition is going to be, primarily, in the areas where its outcomes are seen as more constructive, or in the areas where they are more risky and dangerous. And, of course, those would be more in the security, in the strategic, and the military areas because of the chances of wasteful competition as opposed to productive competition and because of the chances of mistake, miscalculation, and accident. Without going into all the details, I think it's clear to all of us that the U.S.-China competitive relationship now exists in all of these spheres. Both in the areas of the economy and the exchange of ideas, in outer space, in the Olympics, in areas where it might be more constructive; but also in areas of geo-politics and security where it is more likely or more risky. There are more risks of it being wasteful, destructive, and even dangerous. But that's not the only question to ask about competition and what sphere's does it exist.

The other question to ask is whether the competition is governed by rules. Rules that regulate it in ways that its benefits are maximized, or at least increased, and its costs and risks are minimized, so that most gains, most sports, and even economic, perhaps especially economic, competition in the modern marketplace is regulated in an attempt to try to maximize the gains and benefits and minimize the costs and risks. Now, what about this? If we look at the rules-based or asked about the rules-based nature of the U.S.-China competition, here we see a mixed picture, but one that is, to me, somewhat worrying. Economic competition is now, fortunately, governed by the rules of the WTO to a very large degree.

Obviously, there are areas of economic interaction that are not covered yet by the WTO. It is a trade organization and not an investment organization, for example. But the question here is whether both sides see the rules as being just. Clearly, the Chinese, as in all areas, are skeptical about the rules that were developed by the United States. And I think that Ashley has just raised the question about whether Americans increasingly think that the rules are naïve. Whether we outsmarted ourselves by developing a liberal international economic order where we assumed we would always win the competition, and now we find that there is a rival economic competitor rising very rapidly.

We also are not entirely confident about whether the regulatory mechanism is going to be honored, whether the WTO mechanism will be able to manage the competition when there are disputes between China and the United States. I'll say a little bit more about that in a minute when we turn to conflict.

And, of course, in the security area there are just not very many rules and agreements that regulate the competition, especially in the new areas of increasing concern, whether it is the so-called militarization of space, the use of space for military intelligence, perhaps even military weaponry, or whether it is cyber war, cyber security. There are many areas of security competition where there simply are no rules. It's not a question of whether they're seen as fair or enforced. They simply do not exist. So, I think in terms of competition, we have to look at not only is it or isn't it, but where it is, is it regulated, and how effective is

that regulation going to be?

What about cooperation? I think here, the United States and China, as David Shambaugh has already said, claim to share a variety of common goals, and I think this is probably, in many ways, sincere. The desire for global prosperity, a common interest in global development, a common interest in preventing terrorism, to some degree an interest in non-proliferation of nuclear weapons, a desire for peace on the Korean Peninsula, desire for peace in the Taiwan Strait, a desire to cope with the negative consequences of climate change.

And I'll simply stipulate that all of those stated common interests are actually severely held by both countries, although the priorities given to them may be somewhat different. However, it's also clear that one of the obstacles to cooperation is the difference over allocation of costs and benefits. Climate change is probably the best example of this. China worries about climate change, too. It certainly will be affected by it, but basically it is a problem that the United States should deal with as a more developed country. The United States points to China as rapidly becoming the world's largest polluter and very inefficient in its use of carbon-based energy. So, in some way, the two sides completely agree. It's a serious problem, and the other country bears the primary responsibility for coping with it.

One could go down the list of other areas of alleged cooperation. The Korean Peninsula where, clearly, the two sides have quite different views of ideal outcomes beyond the mere prevention of conflict. One can look about other aspects of international economic cooperation and see a blend of different idealized ideal outcomes and different allocation of cost and benefits.

But I think the key thing, the key result, of these differences of how to approach even common goals is that there is a widely-shared sense, especially in the United States, and I think it's an accurate one, that the degree of cooperation has been limited and disappointing. That China has done the minimum in certain areas, done far less than the United States, whether you look at North Korea, whether you look at Syria, whether you look at climate change, whether you look at other issues.

In general, it is seen as being relatively passive, relatively unenthusiastic and, I think, especially -- and this goes back, if you read—and I quote relevant passages in my chapter [from] Henry Kissinger's book *On China*—even going back to when we had the most powerful common interests—and that is dealing with the common adversary of the Soviet Union—that, basically, China was so intent on preserving its autonomy of action that, basically, it was a sense that you couldn't really be sure -- that China was simply unwilling to take on the binding commitments that is, I think, the hallmark of deep and genuine cooperation.

What about conflict? This is very difficult, I've found, to distinguish from competition because both of them can involve, not only divergent interests, but also can involve a zero-sum situation. In both conflict and competition, there can be winners and losers.

One party wins, and the other side loses. But I think if there is a difference between conflict and competition, it is that in competition the stakes are somewhat lower. In conflict they are somewhat higher. The chances of zero-sum situations is, I think, exists by definition in terms of conflict. Well, maybe not by definition, but is more likely to exist in conflict than in competition.

But above all, I think the essence of conflict is the very real risk that whatever rules and institutions exist to govern that relationship, they will be set aside, broken, violated, cast aside. And if you think of that wonderful phrase that I learned in graduate school when I wasn't reading—what was I supposed to read? Was it Hobbes? Thank you, John. I was reading Georg Simmel and the *Socialization of Conflict*. The idea that conflict can escalate by, not only by escalation of means, but by the party that seems to be losing to bring in other allies and partners into the process, so the escalation of both means and participants.

With regard to conflict, I think we already know that there are a number of areas of divergent interests which could be the grounds for, even, military conflict between China and the United States. The Taiwan Strait is the most obvious one. The Korean Peninsula, to me, is the most worrying. But we can also think of the possibility of a trade war, and I think that the trade war is a very useful metaphor. The idea that rules are basically broken or not observed or don't exist, and you have an escalation of sanction and counter-sanction. In the military area we have the possibility, I think a high probability, of nuclear deterrence, but that does not necessarily deter lower forms of conflict, especially those more modern forms that have some degree of deniability. And I think that the possibility of escalation does still, unfortunately, exist.

So, what I've suggested here is that we have a cooperation that is seen as being limited and disappointing. We see competition where the rules are not necessarily seen as fair or the enforcement is somewhat uncertain. The willingness to honor them is not entirely clear, and the possibility of conflict existing. I think this analysis helps us understand why the U.S.-China relationship is so often portrayed as mistrustful. The Chinese, I think, tend to see that mistrust is the result of bias, and certainly you can have mistrust that is the result of simply a cognitive bias of one party against the other. But there's also the possibility that mistrust is grounded, not in bias but in reality. That basically, do I dare say it, that I may mistrust you because you are not trustworthy. It's not just that I'm biased, but in fact, the other party may not be trustworthy.

And I'm not suggesting which party is being biased and which party is being not trustworthy, but simply to suggest that this helps these perceptions, and the nature of these relationships help explain that rules of competition, if they are associated with one party that the other party sees as being unfair, will be a cause of mistrust. Violations of the rules by one party, as perceived by the other, will produce even more mistrust. The spread of competition from the economic or the constructive realms to the security of the military area, as Ashley himself pointed out so clearly, itself generates further mistrust. And I think the perceived lack of enthusiasm and cooperation produces mistrust, as well. If we see this as still a problem that



can be addressed constructively, I think Ashley said if we're lucky, and I was about to say maybe not lucky but skillful, but he moved right on to say we have to manage it well. If we are skillful, and maybe lucky as well, perhaps there are some things that we can do to reduce mistrust by trying to promote cooperation, regulating competition, and avoiding conflict. Some of these things will be obvious, and for the sake of time, I'm going to be very, very brief.

I think to try to continue to identify and acknowledge additional common interests, but to, above all, to transform cooperative interactions in pursuit of those common interests from the relatively passive, especially the unproductive dialogues of the past, and unenthusiastic consent for each other's initiatives. It's amazing that China's refusal to veto something -- a restraint from veto something in the United Nations Security Council has been a measure of cooperation. That is about as passive as it can get. But actually, enthusiastic, long-term cooperation, more openly acknowledged, would be a start to ensure that the competitive aspects of the relationship are governed by rules and norms to the greatest degree that are regarded as fair by both sides, with each side abiding by those rules and norms, acknowledging that the other is doing so as well, to try to minimize the introduction of strategic elements into the relationship, unilateral restraint or negotiated limits with regard to military acquisitions and deployments.

And then, turning to conflict, I think the key is not only to try to pre-empt and to resolve controversial issues that could threaten the stability of the relationship, but to do things such as trying to draw clear red lines that indicate what would be tolerable and not tolerable to the other side. I think we've done reasonably well with regard to Taiwan, and I hope that continues, but also to develop confident, trusted, and effective conflict-management mechanisms when escalation begins to occur. It's a tall order, but I think there is some hope that with skill and luck we'll be able to, not prevent having a blended relationship, but one where we have more healthy forms of cooperation and competition and less destructive forms of competition, let alone a conflict. Thanks very much. (Applause)

DR. BUSH: Thank you very much, Harry. Outstanding, as usual. And now for some wise commentary, Jonathan Pollack.

JONATHAN POLLACK: Thank you, Richard, and my thanks to all three panelists today. When we're all here on panels together, and I see, even with Harry Harding getting a few gray hairs, I know time marches on.

This has been a very, very revealing discussion so far, and I'm going to see if I can take it a little farther. The palpable sense of vexation, frustration, dare I say disappointment, at least as perceived and understood by, what is after all, an American panel and not a Chinese panel. And I'm not faulting anyone here for not having, if you will, a Chinese voice here. Of necessity, this is really a discussion among Americans about what do you do with this incredibly complicated relationship, subject as it is, necessarily, maybe to unrealistic expectations at various times, and to the inevitable disappointment that that then results in. I think Ashley knows I'm very, very fond of quoting one of his heroes, Hans

Morgenthau, who in *Politics Among Nations* talks about the difference between a psychotic and a neurotic. Morgenthau says that a psychotic thinks that two plus two equals five. A neurotic knows that two plus two equals four, but he's unhappy about it -- or she, for that matter.

And that may be part of what of what we're dealing with here today. I'm not accusing anyone here of being particularly neurotic, but, you know, necessarily, those of us who earn a living off of studying the misbegotten nature of international politics are going to find things that trouble us. Or maybe, in other respects, kind of validate our preconceptions about the way we think the world works, and that's important to bear in mind. I wonder, though, if we had here not, essentially, an academic panel, if you had government policy makers, either from the United States or China here, whether they would have a comparable perception of this relationship, presumably being as troubled and as uncertain as it's characterized. Now, you could say that for purposes of argument, any in administration, particularly those that are serving, will necessarily defend their record and their strategic judgment. But I do think it warrants some consideration.

This is a relationship that has suffered, I think, on the basis of the endless labels and bumper stickers that we associate with it. I mean, if I were to contrast U.S.-China relations with many other international relationships -- although, you know, from time you'll see other relationships that have this labeling concept as well -- but it seems particularly prune.

Now, that may be reflecting, I think, to a certain extent, dare I say, a cultural style that we often hear from the Chinese that we then find it necessary to accommodate to. But to me, the larger questions are ones of whether, in fact, we can accept a reality of a relationship that covers the spectrum of possibilities, that some of the time is done out of necessity. I suggested in a meeting the other day that the United States and China in many, many ways are joined at the hip, but they're not joined in the head or in the heart, and a lot of that is on display today.

That's not to fault anyone here, and I don't know -- I mean, again, David, I would say, do you think that the book -- I don't want to say you're trying to blame anyone for it -- but if you look for the totality of these relationships, and you identify these critical independent variables, I sometimes wonder, you know, what, specifically, does anyone think triggers this? Or is it just simply the interaction of all these different variables at the same time?

A couple of other observations and then I'd welcome the comments briefly from the panel. But I really want to turn this over to the audience as soon as possible.

Although we've talked a lot about China today, in a funny kind of way China has often been oddly absent from our discussion because we really again are, this is an American presentation, an American panel. And I dare say that the unease that the United States discusses today at an elite level, at a political level—we can see it obviously in the

political campaign that is underway—is this unease about the United States being dislodged from the position of unquestioned dominance, rule setting and the like. It's a discomfort even as I think we would have to accept the reality that if we are going to constitute a rule-based order for the 21st century it's not going to be one that is designed exclusively, shall we say, in the United States. That's a reality that goes way beyond China, and which I dare say many in the United States are now having a fundamental problem with.

You would much prefer to be in a world where your power, your legitimacy if you will, is unquestionably dominant. And when it is challenged or questioned you wonder. So as I see it when I think about some of the uncertainties in this relationship, some of the suspicions, I wonder whether American elites and Chinese elites experience it in quite the same way. From an American perspective, it would seem to me, we think of our dominant international position.

From a Chinese perspective, it seems to me, even recognizing that the notion of talking about in a 1.3 to 1.4 billion Chinese people speaking with one voice seems a bit odd, but I think at the elite level in China there are more anxieties just about the viability and legitimacy of the political institutions and structures that govern China today. In this sense it's kind of an asymmetric anxiety between the two. So the question I think for the longer term recognizing that this is going to be obviously whether we love one another, don't love one another, we're kind of stuck, frankly, with one another. It's a work in progress.

How do we learn by doing? How do we also be mindful that there is a natural bias, I would argue, among intellectuals—and Lord knows there's a lot of intellectual firepower on this panel this morning—that we don't have a vested interest in comity among nations. We have a vested interest in issues of conflict, of contention. Because otherwise, and I don't say this to be overly cynical, what do we have to write about? So I say this not to discount many of the very, very legitimate issues that have been raised here today. But I am really struck by the change in the mood about China as expressed in the United States, very, very much in evidence.

David edited a very fine volume to which I contributed. I guess it was published in 1995 or thereabouts -- I'm sorry 2005. I got my decades confused. They just pass in review. I daresay that volume had a much more hopeful tone to it. So we have to ask what's happened in the interim that explains it. And granted we want to look at both sides of the equation, but it's not easy to pin it down. But I think at a moment in time where we are so focused on our own presidential election process which is necessarily domestic and yet you see how issues intrude on it, including this fundamental question about how the United States makes its way in a much messier world of which China necessarily is a key part.

So thank you very much for your time. [Applause] And my congratulations to all the authors.

MR. BUSH: I'm struck by an irony that 60 years ago in this most self referential

of towns the question was “who lost China?” And today the emerging question is “what's this China that's been created and who among us did it?”

Does anybody want to comment very briefly on anything Jonathan said? I'm sure there are a lot of questions waiting in the audience. David?

DR. SHAMBAUGH: I just very briefly want to address the point that Jonathan raised about Chinese voices and what would they say about the relationship and the relative lack. You may wonder when you pick up the book, why are there only two Chinese voices in this volume and 13 Americans, one British. And I feel I should give a brief explanation about that. Originally when I thought about how to organize this book I thought about having parallel chapters written by Americans and Chinese on a series of topics. But then I realized first of all that that has been done recently in a pretty good book, fine book edited by Richard Rosecrance and Gu Guoliang called *Power and Restraint*. That's the approach they took. It only came out four years ago. Recommend it to you. It's a good book, but the chapters are very uneven. And part of the unevenness has to do with a weakness, to be candid, with the Chinese chapters. The intellectual weakness. I'm going to be very frank about it.

And so when I thought about inviting the best and brightest in China to contribute to this project, and I invited several, two couldn't do it for scheduling reasons. One did it but wrote such an intellectually weak draft that it had to be dropped from the book. And we do have two chapters there. One by Hao Yufan, as I say, and one by Wu Xinbo.

This was also symptomatic about how Americans and Chinese think about this relationship. Jonathan raised the question, Americans think deep and strategically. I'm not sure the Chinese intellectual class, and I'm going to be frank here, think deep and strategically about the U.S.-China relationship. They think incrementally and partially. They sort of push the relationship forward. They're more like journalists in many ways. They take the temperature of the relationship. It is up today, down tomorrow. Where is it going in three days?

DR. POLLACK: So obviously Henry is wrong.

DR. SHAMBAUGH: So I find — and I must say, I read Chinese academic writings, the best the country has to offer, in English. That's another problem, getting the best minds in China to write in English is a problem still. But getting the best minds in China to write deep, thoughtful scholarly chapters—here we are 30 years on after scholarly exchange and China's integration into the world, there's a big gap still. I have to be candid about it. That's why there's a relative dearth of Chinese chapters in this volume.

MR. BUSH: Okay. Thank you. We're now going to give you all a chance to show your brainpower. This will be a rules-based enterprise. I will decide who gets to ask the question, and you will, number one, wait for the mic. Two, identify yourself. Three, direct your question to one or more of the panelists, and keep your question brief. So, Ken.

QUESTION: Ken Lieberthal, Brookings. Thank you. Very interesting panel. Looking forward to reading the book.

If there is a bottom line to the panel, it seems to me, we need to think about China in terms of competition in the relationship. A lot of elaboration on that. Harry refined it in a lot of ways. But competition is really moved to the core of this in one fashion or another. And I know in edited volumes very often you have an issue of different folks are bringing actually very different assumptions to the table along analytical levels to the table.

But insofar as you can kind of characterize the volume as a whole, I wonder whether you can tell us what the chapter writers are assuming about two, to my mind, enormously important components of U.S.-China competition as you think about the future. What is China's domestic future? What are the assumptions about that because it seems to me that's one of the things that is actually remarkably open. And then secondly, what are the assumptions about the U.S.—especially the U.S., but say comparative U.S.-China—in terms of significant technological innovation? Since looking back in history technological innovation structures a lot of the outcomes globally. Is there any attention given to that in the volume? And if so kind of what are the assumptions made there? Are we more likely to produce disruptive technologies that in turn produce fundamental shifts in capabilities, et cetera? Thank you.

DR. BUSH: Great questions. I don't know who wants to field it.

DR. SHAMBAUGH: Maybe I'll try and pass part of the second question off to Ashley.

Charles Freeman's chapter does indeed talk a bit about that. I think Ashley's chapter to a certain extent if I recall does as well. Technological innovation question. But your first question about the domestic sources and the extent to which chapter writers refer to it. First of all there is a chapter on Chinese domestic sources of America policy. But very tellingly that author did not, despite the editor's suggestions, write about the domestic politics of China and about the Chinese Communist Party and the sense of transition that they are about to go through; the sense of insecurity that many analysts of the Chinese Communist Party see; and all numbers of other issues that the party state are experiencing and how that might affect the U.S.-China relationship. So even this person who lives sort of outside of China, sort of inside in Macau, couldn't bring himself, in print, to talk about those issues.

Now it does come up in several of the other chapters: Shelley Rigger's chapter, Avery Goldstein's chapter, my chapter, Ashley's chapter, we all discuss the year of assertiveness and the increased impact of Chinese nationalism and hubris on the relationship. And several other chapters due too, actually. So the short answer is yes, Ken. That first issue is discussed. Maybe not as much as it you should be, but it's in there.

MR. LIEBERTHAL: My question is, what are the expectations when you talk

about U.S.-China competition? Is the assumption that China despite current issues is trying to basically keep on rolling along the current trajectory, or major disruption, you know the income gap, leveling out of economic growth, what is the [inaudible].

DR. BUSH: Ken didn't have the mic. The essential question he's asking is what are your assumptions about the durability of the Chinese system and its performance?

DR. SHAMBAUGH: Yeah. Short answer. No. The Hao Yufan chapter didn't deal with those kinds of issues. It deals with the role of the Internet, the role with media in society, the role of NGOs, the role of public opinion. It deals with a lot of aspects of the Chinese domestic public in a sense, but not these kinds of questions about China's transition over time. No, that's not in that chapter. Bits and pieces are in other chapters. Maybe it's a missing element of the book.

But this is not a book about China's internal transitions, even though we know, I recognize that this is an important part of the equation. But this is not a book about America's internal transitions either. We have two chapters that try and get to that, but maybe not to satisfaction.

DR. BUSH: Ashley, do you want to say a word technological change?

DR. TELLIS: Yeah. Let me start with what I think is the overarching issue. Any prediction about a competitive U.S.-China relationship has to be in my judgment a deeply contingent prediction. It cannot be a straight-line projection, right? The contingency at least -- and there are many dimensions to the contingency of which domestic politics is one. I touch on the technological innovation question because to me the real issue, particularly in the world of economic interdependence, is, who is going to drive essentially the next economic revolution? Whoever commands the sunrise sectors of the new global economy will essentially have a new lease on life.

And I think it is too early to conclude that the U.S. will lose that race. In fact if I were to bet I would bet that the U.S. would win that race, right? But I think from the viewpoint of the book which is looking out a decade, 15 years. Because I think anything beyond that you're really in the realm of misty woods. I think the assumption was that it would be too early to say and that the U.S. could recover. You keep that possibility open.

So I think that I would flag the contingency of the prediction rather than simply the ironclad nature of it. And I would add many more factors beyond just domestic politics. But if I were to just add to what David said, I think there is a loose assumption that at least over the next 15 years, irrespective of what happens in Chinese domestic politics, China will be a coherent state, it will be a state with a minimally effective central authority, and therefore will behave in a way that most rising powers loosely speaking could be expected to behave. That is, you would not get black swan-like outcomes of either internal collapse or real internal struggles that would prevent the Chinese state from being able to sustain the trajectory that we

think it's on.

DR. BUSH: Harry.

DR. HARDING: I think Ashley just alluded to it. Maybe David did as well. But I would basically also do the mirror image of the question that Ken raised, and that is what is, the domestic future of the United States? If we're trying to forecast a competition, then we need to look at the competitiveness of both parties in that competition. And I think that there are many questions about the United States in that regard. The competitiveness of the American economy, for one thing.

I would agree with Ashley that America has enormous advantages with regard to what are likely to be the sunrise industries, new technologies. But still it remains to be seen how widely spread or shared the resulting prosperity will be in American society from the incomes and the wealth that is created by those who industries. What we're seeing is that the structure of the American labor force relative to both trade and technological advance raises questions about the degree of internal equity and coherence in the American economy. I think that that will also -- there are also questions that can be raised about the competitiveness of American institutions. Will we have a Washington that can pull itself together after the elections and address some of these issues effectively?

And that then relates to the competitiveness of American ideas and values and institutions, the American model if you will, in the marketplace of ideas. So I think that Jonathan raised the fundamental question, are we talking more about China? Do we think we're talking about China when we're really talking about American misperceptions of China? And I would say also, are we talking enough about the United States when we talk about the competitiveness of these two titans? I remember many years ago a wonderful project done across the street in part called the China Balance Sheet. And I remember going to one of the meetings and said, where is the American balance sheet? We also have strengths and weaknesses. That was before the financial crisis. We saw that even more clearly since then.

So I think there are questions that have to be raised about both parties to this competitive relationship.

DR. BUSH: Good question. I have a hand up way in the back. Right there, yes, and then we'll come back up here.

QUESTION: Thank you Richard. It's Jim Keith.

DR. BUSH: Oh, hi.

QUESTION: I'm with McLarty Associates. I'm way back here. Thank you very much for a very interesting presentation. Just sympathetic to the need to put some boundaries on what you're going to write about. And I'll ask a question much along the line of Ken's in

terms of context. Just two quick points. I think it's easy to overstate the role the Americans played in designing and deciding upon the international community's rules and regulations. I mean certainly we're the driving force. But to borrow a phrase from a previous administration, I'm not sure we're "the decider" even then and certainly not now. So as we think about that, that point of context, another one arises. And that is I'm thinking back to the days when we were worried about Japanese buying Rockefeller Center and Pebble Beach and now we're talking about an investment from China as a threat. Now these things do rise and fall.

And certainly as we are in the midst of a slow recovery from a deep recession, the talk of American decline is more pointed now than it was before. And I wonder if the panelists might cast their minds beyond the current relatively weak economic situation in the United States to one in which we are stronger.

Can one foresee that the rather gloomy forecast that's been talked about today, and perhaps I guess is reflected in the book, might be attenuated somewhat as the money that's sitting on the sidelines in the private sector starts to come out, the American economy picks up, unemployment goes down, and Americans start feeling better about themselves? Thank you.

DR. BUSH: Ashley, do you want to elaborate a little bit on why you'd bet the United States?

DR. TELLIS: That's very good, but it's a very extended question. And I'm trying to get my arms around it to answer it economically. But let me just start off by saying I think that the U.S. played a disproportionately important role in the creation of the postwar economic system. I mean anyone who suggests otherwise, I think we would simply have a fundamental disagreement of fact.

And one can go back to the '50s and the '60s right from the beginnings of what is now the WTO both in the area of economics and politics to see the story. So I think the U.S. did play a critical role.

But to answer the second question which is how does this look going forward? I think one has to do justice this to two realities. One, that the United States is down but not out. That's one bookend. And the second bookend, that the Chinese experiment and growth may not be a flash in the pan, that there may be something here that is truly substantial and long lasting. And I think if the second reality is correct—and more and more, I'm inclined to think so—then I think we're going to be faced with some facsimile of the challenge that I tried to describe in my chapter. That is, the United States may not exit the scene, but it will have to deal with very capable China that will become more and more capable despite the uncertainties about its domestic politics. The ability to sustain the growth trajectory consistently over time and so on and so forth. Which means that there will be lots of process gains and process losses over the years. That is, some years we'll do better than the Chinese and vice versa.

But structurally I think the problem is still going to remain. That is, how did you



deal with a relationship between two major powers and what will clearly be to my mind a new era. I think there was a Cold War era where you had two great powers. There was a unipolar era where one power went into great remission, and now it will be succeeded by a new era, a new bipolarity, if I may use the phrase, but a bipolarity that now exists amidst conditions of economic interdependence. And I would posit that that kind of bipolarity the United States has had no experience with. And trying to figure out what the roadmap for success in that kind of a world, I think, still has to be written.

DR. BUSH: Garrett Mitchell.

QUESTION: Thanks Richard. I'm Garrett Mitchell and I write the Mitchell Report. And I want to come back to the question that Jonathan Pollack phrased at the conclusion of his remarks in which I think Harry Harding was made reference to. And that is, I'm struck having listened to this conversation and then the observation that it was just seven years ago when David Shambaugh edited another book with a very different title and a very different perspective.

And we all said, you know, sort of, time passes. Well, time may pass, but that's only seven years. And this seems to me to be a fairly dramatic difference in perspective. So the question that I think Jonathan raised is what are the factors that we could identify today that have led us to a place where there is such a dramatic difference? And to the extent that it's possible which of those are, if you will, U.S. related and which of those are PRC related.

DR. BUSH: Jonathan, do you want to answer your own question?

DR. POLLACK: I think we would obviously have to highlight the after effects, if you will, of the extraordinary activism of the United States and the commitments that it made in what we will loosely call the greater Middle East, followed quickly on the heels of our effort to retrench and make an exit with our own financial crisis. I think that this had a profound affect on thinking in some Chinese elite circles for better or for worse. Those who were in China at the time. American students and the like experienced it very, very directly. Whether it meant that in the judgment of the Chinese leadership the United States was really kind of down and out and that this was China's moment, this is something that people perhaps can debate.

But I do think that that warrants very, very serious consideration in this context. The other factor, and this is a little more speculative, I think equally as necessary, is we had a transition from one political party to another. Not only that but to a president who came into office with a very, very different conception of how international relations would be conducted. And look back in retrospect -- I mean this was alluded to -- David raised in his remarks whether the expectations, if you will, of a transformed relationship were so excessive that ultimately it has led to kind of a disenchantment and grumbling, if you will, of different kinds, but in both the United States and China. That would be my best educated near-term guess. Can I, Richard --

DR. BUSH: Sure.

DR. SHAMBAUGH: -- just add one other factor of this book that's being referred to by the way. It's called *Power Shift*, China and Asia's new dynamics. And it was about—Richard and others, Jonathan contributed to it—it was about China's diplomacy in Asia during the first decade -- from the Asian financial crisis onwards to 2009. The book came out in 2006 or '07. But it was about the successes, if you will, of China's regional diplomacy, economic integration. Even what we today would call soft power efforts in the region. We were trying to get to grips with how that was changing the dynamics of Asian international relations.

So that's that book. So what's changed besides what Jonathan just indicated? Chinese domestic politics around 2009 that produced this sort of your of assertiveness in which China picked fights, I would say, or had dust ups with virtually every one of its neighbors: South Korea, Japan, several of the ASEAN states, the EU, and the United States. I don't think there was any meeting in the Zhongnanhai where they said the sat down and said, okay, let's go out and beat up on our neighbors and agitate relations with Brussels and Washington. No. There were individual catalysts to each of those dustups. And the reason had to do with I think increased Chinese nationalism, hubris over the Western financial crisis, and the insecurity of the Chinese Communist Party and some bureaucratic things that have taken place, which I won't bore you with. But that was a major factor.

So China's regional diplomacy changed, China's diplomacy toward the United States changed in that year. That was the year of the Obama visit and so on. So I think those factors all help to explain the shift from the *Power Shift* image to the *Tangled Titans* image.

DR. BUSH: okay. Next. Jim Mann and then we'll go to Pat Mulloy.

QUESTION: Hi. David, I have to ask, did China change or did elite perceptions of China change? That is, were these tendencies that existed before? For example, on nationalism certainly Susan Shirk perceived in the '90s and wrote about growing Chinese nationalism. So was there a fundamental shift or was this a gradual evolution?

And I'd note one other thing—this is not the Cold War analogy—I remember as a journalist in my first, the first time I had to write a story about the Sino-Soviet split I said when did it start? I mean this isn't passing sentence. And then I found of course there was no one point where the two countries got together and announced there was a split. And you can find well into the '60s efforts at patching it up, agonized efforts to figure out the grounds for reconciliation. Are we now in something like that?

DR. SHAMBAUGH: Excellent question. I'll just briefly say that those forces that emerged after 2009 or in 2009 were there previously. But the lid had been kept on them during the Jiang Zemin period and, I would argue, during the first Hu Jintao period. But in the second Hu Jintao administration, if you want to call it that, after the 17th Party Congress, the

dynamics of elite politics changed and the hubris about China's economic model and the Western failures changed. And there was a leadership vacuum at the top of the Chinese system that exists to this day. The Hu Jintao/Wen Jiabao period for amongst other things has been one of leadership vacuum, I would argue, into which these domestic forces quickly merged. But they've always been there. But Jiang Zemin kind of suppressed them. So now they've had their chance. In 2009, '10 they just sort of burst forth. The government's had a very hard time putting them back in the bottle.

And the damage has already been done with the Asian countries. They saw, experienced what happened in 2009, '10, so they're not going to believe this new harmonious world campaign, new soft power push. Let's all get along well. Uh-uh. This skepticism around Asia is deep and profound. The Chinese stepped on their own toes in that regard. So that's just my sense.

DR. BUSH: thanks. Pat Mulloy right there, and then Walt Slocombe.

QUESTION: Pat Mulloy. I'm a trade lawyer but I teach at Catholic University Law School International trade law. But I had the great privilege of being ten years or the U.S. China commission where we had a chance to look.

I think an issue that I think needed to be brought in is China was that great power in Asia for many years. It had a bad two centuries. And it wanted a strategy to come back. And Ashley used the term comprehensive national power. Deng Xiaoping had the idea, we have to rebuild our industrial technological strength and upon that base we'll build our political and our military strength or our comprehensive national power. There were other things going on in the United States. The movement from stakeholder theory of capitalism where you had some responsibilities to your country and your workers, to the shareholder theory of capitalism where everything was based on the shareholder rather than others.

And the Chinese found ways to incentivize American corporations in the name of shareholder value to deliver our manufacturing and technological base from here to China and move on a job from here to China. No one's saying that's evil. That's the way the system evolved. And the Chinese underpriced their currency as part of taking advantage of that, provided subsidies to the American companies, and all of that.

So I think in part of dealing with this problem that kept the Chinese -- they have a strategy, God bless them. Some of it we have to take on like under-pricing currency. But our problem seems to me how to read incentivize the American corporations whose interests have diverged from our national interest to reengage and be part of an American strategy to keep our own strength in the century going forward. And I just wanted to throw that out and see if anybody has any comments on that one.

DR. BUSH: Does anybody have comments on that one? Ashley.

DR. TELLIS: I think you've put your finger on something that is really hard to manage, and that is the divergence and interests between states and societies. The American state has certain interests. American society has -- when I talk of companies and corporations I think of that as part of a chain, a web of societal interactions. I think those interests diverge in many instances from those of the state. And so while one thinks of the challenges, managing the tension between security competition and economic interdependence on one hand. I think it's going to be just as challenging to align societal interests with state interests.

And you can do it in some ways. But there are many other ways in which I think the cat has kind of escaped the bag. Because what globalization has ineffectively done is that it's made free actors make economic decisions purely on the basis of profit motives, right? I mean that's where the logic of globalization has taken us. And so unless you consciously pause it, a state strategy of intervention to change the incentive structure for these free agents. Then that takes us into one very interesting discussion in U.S. domestic politics that I hope if not in this election we'll have somewhere down the line. But I agree with you. This is going to be very, very difficult. And it also undercuts much of our own self vision of ourselves and what free economies are supposed to do et cetera, et cetera.

See, the problems we've always posited that a free economy conduces ultimately to the natural strength of the state. And at one level it does, but at other levels it doesn't. And so forcing that alignment in the way that you suggest I think is going to be a very complicated effort. A very complicated political effort, too.

DR. BUSH: It also raises the question of, what's the tension between the Chinese state and Chinese society?

DR. TELLIS: Yeah.

DR. BUSH: Walt Slocombe.

QUESTION: Thank you. A common theme I think through all the presentations is that the world faces a choice between Chinese and American decisions to manage the competition in constructive ways and sort of drifting or going deliberately into a conflict. And my question is: that choice will have to be made consciously or not. And at least on the Chinese side what are the factors that will tend to conduce toward a constructive decision? And in particular what is the relative balance between Chinese concerns about the risks of conflict and Chinese views about the rewards of competition? And if you really want to spend a long time answering the question, what's the answer to the same question on the U.S. side?

DR. POLLACK: I think, Walt, it's fair to say that those of us who pretend we understand China grapple with a lot of these questions. It's compounded by the fact that you are now dealing at least with a transitional leadership arrangement in China with a belief being that among many of us that China may—rather than being obsessively focused on the United States—will be so consumed by the extraordinary domestic challenges, if you will. The soft

underbelly of what has happened in China. I mean, for a certain period of time we all looked at China in this gee-whizzy kind of way and you could look at a lot of columns and books and the like which made China bigger than it was in effect. In fact I think that that's frankly one of the liabilities, if you will, giving China more credit than it deserves. If we evaluate China today now as this arrived global power, for sake of argument if their economic and technical and military advances are sustained, what do you do when they're a real global power as opposed to giving them kind of extra credit at this point?

Now, all of this is in the context of how the Chinese read this equation. And my own evolving sense is that a prudent leadership in China, if that's what evolves, will be one that may not find an ability to concentrate extraordinary energies on conceptualizing a highly conflictful and, if you will, hypercompetitive relationship with the United States. So it might bias things somewhat towards, if you will, competition mitigating strategies. The problem though is that you've got -- in China today you don't have elite coherence. You don't have that kind of institutional coherence.

You've got a devolution of power and authority in the Chinese system that sector by sector, institution by institution, that I don't know how rebuild that if you can. It begs the issue it seems to me of what I see as a kind of attention at and own conceptions of China that we would really like an authoritative Chinese state that disciplines miscreants, that makes sure that there isn't these egregious violations of international copyrights and the like that doesn't have its thumb on the scale in a kind of a state directed mode of capitalistic advancement. And that's going to be a question for China's new leaders and whether they are capable of tackling those kinds of questions fully. And I'm going to give you a resounding I don't know because I really don't know.

DR. BUSH: Harry, did you have a comment?

DR. HARDING: Somehow I think that the major drivers may actually come from outside China rather than inside China. They obviously would have to pass through and become activated by domestic actors. But it seems to me there are a couple of things that I think will be very important. Your most important I think, and maybe I am becoming more of a realist in my old age, is if the United States gets its act together. If basically the United States is seen as once again dynamic, competitive, yes powerful, I think that will make a difference that will make basically China more worried about conflict, aware of the costs of conflict.

Another related factor will be, that I think will be bolstered by American power will be the continued willingness of China's neighbors to object to Chinese actions and attitudes that they regard as unacceptable rather than falling victim to the temptation to bandwagon with China and the idea that somehow this is the normal state of affairs in Asia. Asia is a very dynamic region. And to me the idea that it can be dominated by any power, even China, assumes great weakness on the part of the others. So I think that these two factors are related. American resurgence and vibrancy and a willingness of the nations in the region to, in a sense, to demand more cooperative behavior from China will be key.

I think one of the keys also is China's perception of the effectiveness of institutional mechanisms for regulating competition. I was also going to raise the question of, what is the impact, likely impact of this—whether you see it as elite, opinion change, or public opinion shift or both—what is the likely impact going to be on American policy towards China? We are seeing kind of a gradually heating rhetoric in the presidential election campaign about China being seen as a cheater in Mr. Romney's terms or the idea that China is more committed to free trade in Condoleezza Rice's speech at the Republican convention. But so far it's not really clear what either candidate would do. One thing that is possible is to basically declare China to be a currency manipulator. And you guys live here and know the legal possibilities. I don't know whether that is something that an administration can unilaterally do or whether it would feel obliged to go through the WTO first. And, if it did act unilaterally, whether the Chinese will go through the WTO to try to object. And whether that would set any countervailing duties aside.

The point is that if both sides have faith in the WTO dispute resolution mechanism on that particular piece of it that would be a very important way of preventing what we earlier called the escalation of conflict over this particular aspect of trade policy. But again I underscore the two basic points. Number one, I think that a lot of it will come from outside China. And that's what I think is a little bit more easy to predict and maybe to influence. And secondly, that I'm curious as to whether we are at the point where we are going to begin to get specific with a month to go in the campaign with regard to what either party would do differently if they become or are reelected president. Recall that the key for the Clinton election back in 1992 was not only that he declare China to be the butchers of Beijing, but he also decided what he would do about it—namely, threaten to take away China's most favored nation status. That was before he was elected. And then lo and behold after he was elected he actually did it and then he had to back down. So it's actually a three-step process saying it's a bad country, this is what I'm going to do, and then I'm actually going to do it.

And so far we hear China is a cheater. So we're at step one. Something about currency manipulation, which to me is still vague. That's step one and a half. But how far down that road are we likely to go and how are the Chinese likely to respond if it is mainly within an area where there are institutional ways of regulating that competition and preventing it from transforming itself into conflict.

DR. BUSH: We're going to have to wrap up pretty soon. The woman right here in the white blouse.

QUESTION: Hi, I'm Paula Stern. I used to chair the U.S. International Trade Commission and have been thinking a lot about particularly the fact that the WTO has really been asleep. Everyone was focused—the U.S., China, and the rest of the world—on the Doha Round and other things. Meanwhile, we have had this competition with regard especially to subsidies. And the way in which state owned enterprises are competing with the United States and other countries even though they are—the U.S. and China—both members of the WTO.

And what has the WTO done? Who has asked the WTO really to step up and Pascal Lamy to step up to the requirement that subsidies have to be notified to the WTO. Harry, you've talked about the rule of law and the very important aspects of it. My question is, if economics is so critically important here, why aren't we talking about the need for the United States to have an economic trade strategy as opposed to just relying on the fact that, well, 10 plus years ago the strategy was to let China become a member of the WTO; and then everything else, we've just gone to sleep? Particularly on energy related matters which relates to the climate change. Oil and energy is not covered by the WTO, period.

Someone has to start thinking about the rules of the road, not just say, oh, well, we've got this dispute settlement mechanism that we set up when we made the WTO. No. We've got some strategic thinking to do and we haven't done it. That's the homework I think that needs to be done in Washington, D.C. I'm sorry, that's a statement, not a question. But I really think that it's important to put a point on it because we're talking about technological innovation which then gets to the issue of subsidies again.

DR. BUSH: Even though it's not a question would somebody like to respond?  
Harry?

DR. HARDING: I take it the question was, and what you think about that? Hi, how are you Paula? It's good to see you again.

I think that you have underscored one point that I also tried to make which was the WTO does not cover everything, and therefore there are simply no rules. Even in the trade area there are probably more there than anyplace else because of the elaborate negotiations that led to the Chinese succession to the WTO. But there are still gaps, and even more in the security sphere. But I think that you've also indicated the importance of enforcement. Either honoring or enforcing rules. If rules are not honored for whatever reason, they need to be enforced.

Now you say that the WTO has been asleep. And you know far more about this than I as to the extent to which the WTO can initiate its own action or whether complaints have to be brought to it. All I'd say is looking at reading the papers down in bucolic Charlottesville that basically both candidates are saying that they would rely very heavily on taking action, taking complaints to the WTO. Romney says he will do more of it, and Obama says that he's done—I forget the numbers—far more than Bush did.

So there does seem to be a growing, in the campaign, a growing statement of intention to use the WTO more actively, not relying on it to wake up itself but kicking it in the ribs and saying, here are some specific complaints. I suppose that then the assumption is the extent to which the United States can be confident that its position will be accepted, its complaint will be validated and whether it leads to some kind of a resolution. But I do see signs that that is the main area in which policy may change. The more assertive use of the WTO

mechanism, and you'll be better able than I to estimate as to how likely that is to bring satisfaction.

DR. BUSH: Just to add a layer of complexity I have the impression that the Chinese are much better now than they were ten years ago in the competition to define what the rules actually mean.

You've been very patient and you'll be the last question. And I set the rules.

QUESTION: Hi. My name is Em Winfield. I'm an undergraduate student at American University. My question addresses specifically space security and space cooperation. It's kind of a three-part question. First what do you think China's interest and role in space is going to be in the coming years taking into account everything from the 2007 ASAT launch up to the U.S. X-37B "spy plane" that's happening? Second, whatever that is, what do you think the U.S. response to this should be? Should we pursue cooperation or maybe take a more aggressive approach? And third, I know, Mr. Tellis, you wrote in 2007 about the likelihood of a "space Pearl Harbor." Do you think any kind of a conflict in space is more likely or less likely now than it was five years ago?

DR. BUSH: Sounds like a MIRV'd question for Ashley.

DR. TELLIS: It is a MIRV'd question.

I think China's strategy in space is a dual strategy. It seeks to use space for advancing its own national development and national security goals even as it seeks to deny the use of space to countries that it might come into conflict with. At some point the two arms of the strategy will come at attention. And in my view the way that tension will be resolved will be a function of whether China's dependence on space is greater than that of the dependence of its competitors or its adversaries. The way China's moving now, is moving towards a fairly rapid dependence on space. And so it is possible that if Chinese space dependence mimics that of the United States, the emphasis that China is putting on space denial will diminish over time because of the tensions in the two, right.

What is the best approach for the United States? I think we don't have a choice of approaches. I think the strategy has to be to do everything. By which I mean you start with diplomacy and make all the efforts you can do to devise some rules of the road. But don't put all your money in the diplomacy basket because you will never get satisfactory rules of the road that will protect your equities robustly.

But you invest in the diplomacy because the diplomacy, if nothing else, helps to build confidence; helps to give all the players at the table some understanding of what the lay of the land is. Even as you do that you build what is required in terms of resiliency. That is, should the Chinese, or for that matter anyone else, decide to deny you the use of space you have the capacity to operate despite its loss, right.



And the third element is you have to build deterrence because no one is going to take seriously at the end of the day unless you have the capacity to do to them what they threaten to do to you. And so in that sense you have to do the whole spectrum. And keeping that in balance is really what the challenge is. Particularly in a competitive political environment there is a temptation to over-invest in one arena to the neglect of the others. And so keeping all these three elements in balance, I think, are the way to go.

DR. BUSH: Thank you all very much for coming. Please join me in thanking the panelists. [Applause] But also join me in thanking David Shambaugh for his intellectual leadership in bringing forward books like *Tangled Titans*. [Applause]

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