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

PARTICIPANTS:

Introduction:

BO MENG
Associate Director
Brookings-Tsinghua Center

Moderator and Commentator:

RUIZHUANG ZHANG
Professor of International Relations
Nankai University

Keynote Speaker:

JEFFREY BADER
John C. Whitehead Senior Fellow in
International Diplomacy
The Brookings Institution

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P R O C E E D I N G S

MS. BO: Good afternoon, ladies and gentlemen, dear students. My name is Meng Bo. I'm the assistant dean of the School of Public Policy and Management at Tsinghua University, as well as the associate director for Brookings-Tsinghua Center for Public Policy. It is our great honor to have all of you here with us this afternoon.

As we all know, 2012 is a significant year for the world, as many countries and regions have completed their leadership transition. Among them are China and the United States in recent days. For the next five years, China needs to ensure a stable external environment for its development and economic transition, while the U.S. needs to step out of the economic downturn and maintain its "super power" status in the international community. Both countries will also face common challenges of regional security, global governance, and other issues. Cooperation and conflict have long co-existed in the U.S.-China relation, and now what will be the next step after

Obama when his second term of presidency and Xi Jingping became the general secretary of the CPC Central Committee.

Today, we are very honored to have two distinguished guests whose expertise will technically help us understand this issue. Dr. Jeffrey Bader, John C. Whitehead Senior Fellow in International Diplomacy from the Brookings Institution, and Professor Zhang Ruizhuang, senior scholar in U.S.-China Relations from Nankai University. And you have their bios with you so I'm not going to bore you. They will share with us their insight on where U.S.-China relations will be heading to under the new leadership.

Dr. Bader will first give a talk around 45 minutes, and then Professor Zhang will comment on topics as well. The talk will be followed by a Q&A session led by Professor Zhang.

So now would you please join me and welcome Dr. Jeffrey Bader?

(Applause)

MR. BADER: Thank you very much, Meng Bo. Thank you, Dr. Zhang. And thank all of you for coming out late in the afternoon when I'm sure there are more enjoyable things to do than to listen to what was described as a 45 minute lecture. I trust it'll be less than that. I'm looking forward to hearing your thoughts and having a good question and answer session.

It's good for me to be back at the Brookings-Tsinghua Center. I was last here four years ago. Before I went into the Obama Administration, I was director of the John L. Thornton China Center at Brookings when we established the Brookings-Tsinghua Center, a source of great satisfaction, a great joy to all of us who were involved in it to see what it has become since then. This is a trip down memory lane for me.

I want to speak today about how I see the current state of U.S.-China relationship. I see it as in pretty good shape. I don't see the downward spiral or rising confrontation that I read about frequently

in the media and in commentaries, both in the United States and in China. For example, a couple of weekends ago there was a front-page story in *The New York Times* about President Obama's recent trip to Myanmar, Thailand, and Cambodia, which the *Times* article described as "the continuation of the contest with China."

It seems that any time an American president visits Asia -- it doesn't matter what country he goes to -- this is described or seen as probably a contest with China or sending a message to China, at least for those who like to think about U.S.-China relations as some kind of an athletic contest with a winner and loser, which I think is very much the wrong framework for thinking of that relationship.

I'm not sure what standard is applied by critics to determine what constitutes good or normal relations in the U.S.-China relationship. I've been involved in the relationship for over three decades, beginning in the Carter administration, and I can say that at no time has the relationship ever been easy or

untroubled or without substantial frictions. So people who are speaking about a “golden age” don’t know what they’re talking about. That isn’t to say that I’m not concerned about some aspects of the relationship right now. After all, we’re talking about two countries with very different histories, very different cultures, different perceptions of our respective national interests, and different political systems. Plus, arguably, we are the two most self-absorbed countries -- some would say selfish countries -- on the planet. So why should one expect an easy relationship?

It’s just I don’t see it as beyond the passive of leaders on both sides to manage issues in a way that allows the cooperative elements of their relationship to remain substantial and to avoid conflict. And perhaps that modest goal is not enough for people who don’t like to work with uncertainty or with relationships that don’t fall neatly into the category of ally or enemy. So it is, I think, the right way to think about the U.S.-China relationship

in the real world.

So what are the chief characteristics of the relationship that President Obama and General Secretary Xi Jinping will begin with in the months and years to come? First, Secretary Clinton said in her speech to the U.S. (inaudible) earlier this year, our two countries are interdependent. That's an important word.

Let's take our economies. China holds $1.3 trillion in U.S. treasuries -- U.S. treasury instruments. U.S. companies have over $60 billion invested in China. Chinese investment in the U.S. is growing in leaps and bounds; over $7 billion this year. Two-way trade is well over $500 billion. As Larry Summers said he could picture a 21st century in which the U.S. and China prosper, and he could picture a 21st century in which the U.S. and China do not prosper, but he could not picture a 21st century in which one of us prospered and the other did not. That to me is the essence of interdependent.

Second, we have, I would say, pretty good

cooperation on the principal nuclear weapons threats, mainly the Iranian and North Korean programs. But we don't agree completely on the right mixture of pressure and inducements. These kinds of issues have now been the core of U.S.-China cooperation. In fact, issues like this are the reason our relationship began in the 1970s, on President Nixon's and Secretary Kissinger's visit to China. And this kind of strategic cooperation is essential to a sound U.S.-China relationship.

Third, I think we're both watching the Arab Spring with wariness as we see negative consequences play out in Libya, spill out over into Nonich and Syria, and in Egypt's relationship with Israel. In general, the U.S. is more prepared to align itself with forces of change in the Middle East, whatever the risks and (inaudible), while China seems hostile to any actions that would violate its principle of respect for the sovereignty of existing governments. So we have been confronting each other over Syria, but I would not rule out evolution of the situation there

in the next coming months that reduces the level of U.S.-Russia-China confrontation.

Fourth, there is a three-way relationship among Beijing, Washington, and Thailand, which is as positive, constructive, and happily quiet as it has been in at least two decades. Since that is the only issue in which there is even a remote prospect of arms conflict, that is no small thing.

Fifth, I mentioned the territorial disputes in the South China Sea and East China Sea. China's confrontations with U.S. treaty allies, principally with Japan, can create serious tensions and introduce unpredictability into the U.S.-China relationship, as well as offering an image of China's rise that is unsettling to countries well beyond the concern of (inaudible).

Sixth, military deployments on both sides. Spending on the PLA has been increasing by double digits annually for about two decades. For its part, the U.S. has been studying a concept called ARC Battle, which combined with speeches and studies of

what is called “anti-access denial strategies” has caused some in China to see a new margin of capabilities directed at China.

Many scholars have written extensively about the risks of the so-called security dilemma, a term familiar to those of you who study international relations, where each side, especially when we seek of a rising power and a dominant power, actually makes calculations about its own security vulnerability and takes steps to increase its military capacity, thereby, in fact, increasing tensions and each country’s own vulnerability. And people speak about security dilemma in terms of the rise of China and the United States. I don’t discount this risk. It is a plausible path, but theory is not practice. We are both conscious of the risk, and we can avoid it by doing certain things.

First, each side should understand that its nightmare is not true. The U.S. does not seek to contain China; China does not seek to drive the U.S. out of Asia and replace the U.S. as the preeminent

global power. Our leaders each say that, and I, for my part, believe it.

Secondly, have a strategic security dialogue that is precisely designed to help understand our perspectives on key issues that can lead to this kind of security dilemma; that is nuclear force modernization, military use of outer space, cyber threats, maritime security, and missile defense. Civilians and senior military officers from both sides have been taking part in this dialogue, which is a new dialogue just started under the Obama administration and President Hu Jintao.

Third, our leaders have talked about “a new kind of relationship;” one that is not the traditional rivalry between a dominant power and a rising power, but rather one marked by interdependence, cooperation, and expanding common interests. In that regard, the subject of mutual strategic trust and distrust has been much discussed by officials and scholars on both sides. Personally, I think the goal of increasing strategic transparency and strategic predictability is

a more realistic goal and our dialogue should aim at this objective. Neither of us wants to misjudge the other, and neither of us wants to be surprised by the other.

So what should we expect in President Obama's second term and Xi Jinping's current term? First, I think the main variable in the relationship, frankly, is time. I say this because President Obama has had four years to formulate and put in place an approach toward Asia and China, and I don't have reason to believe it will dramatically change. In broad terms, it is consistent with that of his predecessors since Nixon. Its main features are a welcoming attitude toward China's rise and willingness to accept a larger role; not only to accept but encourage a larger role for China internationally. And an expectation that China's rise will be consistent with its national norms and law -- a deepened U.S. presence and engagement in the region, including in international organizations like the East Asia Summit; strengthen alliances and partnerships

with other countries in Asia; gradual development of U.S.-China military-to-military relations; encouragement of Chinese investments in the United States; avoidance of protectionist measures that would rattle markets; but greater willingness then to predecessors to use trade remedies and world trade organization (inaudible). As I say, there's little reason to expect a dramatic change in Obama's approach in the second term.

But Xi Jinping's approach to the relationship with the U.S. is, of course, not quite clear. There is no personal record to cite beyond a visit to the United States that then Vice President Xi paid that went very well and was very consistent with the script. We saw during that visit some personal traits on the part of Xi, and a fine touch in dealing with both officials and ordinary people. But that didn't give us too much of an idea of his personal policy inclinations.

I deliberately emphasized Xi's personal role. While it's interesting to analyze and look at

the other members of the (inaudible), and it's certainly important to see who the new state counselor and the foreign minister are next March after (inaudible). Xi Jingping will dominate the U.S.-China relationship on the China side.

I recall being with Secretary Albright in 1997 with Jiang Zemin. It happened to be the night before Jiang was to give the funeral oration of Deng Xiaoping, who happened to arrive from Beijing within 48 hours of Deng's death. Jiang said that when he assumed the general secretaryship, Deng had told him, "You are responsible for U.S.-China relations." Deng and Jiang clearly viewed that as one of the essential responsibilities of the leader of the party. Hu Jintao, though he may have been the leader who has operated by consensus in many respects, similarly took responsibility for the relationship in his own hands. I expect nothing less from Xi.

Now, there is one important respect in which I believe relations can be smoother in the next term. Many Chinese intellectuals, and some officials, have

reacted with concern to Obama's announcement that the U.S. pivot to the Asia-Pacific in November 2011. While the pivot or rebalancing should not be seen as a strategy of containment of China, clearly some of the military steps associated with it, such as the rotation of marines to Australia, the addition of Navy resources in the Pacific, the formulation of anti-access (inaudible) strategies, and the U.S. posture on the South and East China Sea, have unsettled many Chinese, although they have been generally well received by other countries in the region.

But by now, Chinese officials have absorbed the meaning of rebalancing -- what it means and its limitations. There should not be more surprises or jolts from the U.S. side, I would predict. If you read National Security Advisor Tom Donilon's speech a couple weeks ago at CSIS previewing President Obama's trip, you would have seen a vision that is essentially steady as she goes, not a preview of traumatic new military missions.

The U.S. economy should be stronger in the

next few years. China's growth, while still strong, has slowed from a blazing pace of 2000 to 2010 that accompanied some of the assertiveness in Chinese foreign policy that we saw particularly two years ago. I would guess that the likely alteration of the slope of these two curves will be some of the talk of American decline that has flourished in the last five years.

It's important to understand how central these economic issues are to the two sides. These are the issues of greatest concern to leaders on both sides. In my own service in the Obama administration, I spent much, much more time meeting with the president and talking to him about economic issues than any other issues related to China. That was unsurprisingly the principal concern of the president whose principal objective was to reclaim some of the eight million jobs that were lost in the downturn of 2008 and to understand how trade in relation to China could affect that.

Finally, I'd say the principal risk that

could lead to deterioration of relations would appear to be these disputes in the South and East China Sea. From the American perspective, the questions are will China aggressively assert its territorial claims? Is it in a hurry to do so? Will it be pushed by nationalist voices at home against the judgment of its leadership? The U.S. takes no position on the territorial claims in the South and East China Sea, but we have an interest in ensuring that whatever happens there happens peacefully.

If there is rising tension, then U.S. alliances, particularly with Japan, could be strengthened in response, and there will be greater anxiety in the U.S. and in the region about the nature and character of China's rise. This could lead to a different kind of U.S.-China relationship and a different kind of security framework. That is not -- I repeat not -- a direction that is in the interest of peace and security in the Asia-Pacific. I hope that cooler heads will prevail, and we can all concentrate on much larger common interests we all have, rather

than seeing squabbling over essentially valueless symbols of sovereignty that no one has even thought about until recently.

That's all I propose to say introducing the subject. I look forward to Professor Zhang's commentary and I especially look forward to hearing your questions and your comments. Thank you all very much for your attention.

(Applause)

MR. ZHANG: First, I would like to thank the Brookings-Tsinghua Center for inviting me to this important event from which I can learn a lot from both the distinguished speakers and the audience. I have great respect for Dr. Jeffrey Bader because in my classification, he should be in the category of the knowing (inaudible). Many Chinese used to label foreigners as pro-China or anti-China, but I think the most appropriate label for him would be with people who China really well. He's really an expert who knows China.

I got to know this first about five years

ago when I was visiting University of Minnesota and Dr. Jeffrey Bader gave us (inaudible). On that occasion, the theme of his speech was about China's (inaudible), in Africa, in general, and in Darfur, in particular. At that time in the United States, the public mood was very strongly against China's role in Sudan. Many people believed that there was an ethnic cleansing and China had a hand in that, but then in his speech, Dr. Bader just laid out the plain truth about China's role in Sudan, and I think that clarified the (inaudible) of many people and helped them to dissolve their faceless resentment against China. So I think that speech had a very good effect on the American public in terms of letting them know the truth about China in Africa.

Today, Dr. Bader gave a very brief, although very informative speech. I have the following points to make. Some are not really points but questions.

First, Dr. Bader said that he thinks the U.S.-China relations are in good shape. I am not sure I am as optimistic as him. Yes, it is true that

currently there is no particularly big trouble in this bilateral relationship, but I think it's easy for Americans to think this relationship is of a normal status, but not for Chinese. There are some factors that have been there for a long time; so long that the Americans tend to think they are normal. But the Chinese always, you know, in the Chinese mind they are not normal. For example, the U.S. sanctions -- high-tech sanction against China. For example, the U.S. sells weapons to Taiwan. I can list a lot but, you know, I don't think these are the normal things that you can expect from two normally related countries.

And I'm particularly worried about this bilateral relationship because recently we see that there's one thing that is changing in this relationship. Most of the time, in the past 30 years, most of the time we have one factor that plays a very important role in this relationship, which is the economic foundation of this relationship. The economic foundation is the stabilizer; has been playing the role of stabilizer of this relationship.

Most of the time over the past 30 years, whenever there was a serious crisis in this relationship, it is almost always the economic factors that come out to stabilize the situation and to help the two countries to overcome the difficulties. But now I doubt if the economic foundation of this relationship is a strong as before given, you know, many troubles that have occurred recently in the economic field. So I don't want to name them. I suppose you all know them. So that's one doubt I have about this relationship.

The second point I want to make is that you mentioned the security dilemma. I'm a scholar of specialized international relations theory, so security dilemma is really a critical concept for me. And I think it's true with international politics. And you actually, you object to that theory. You know, it indicates some real risk, real risk in the bilateral relations, but then you said that you hope some measures can help to solve the problems. In the theory of international politics, especially in (inaudible), we think that the (inaudible) and

interests are more real than (inaudible).

So you talk about the measures like to have, you know, both sides, both countries have their good intentions (inaudible). The United States says that we don't have any intention to contain your development and to take power (inaudible) we don't want to, you know, squeeze you out of the West Pacific, things like that. But that's all rhetoric. That's all, you know, words. And also, you know, sort of the parallel or to establish a "new kind of relations" to establish strategic (inaudible).

While these things are all very nice things to do and the two (inaudible), but on the other hand, we have the rules or laws of international politics that have been accumulated along solid years (inaudible). So I don't know how (inaudible) your prescription can be.

And just as an example, you talk about, you know, the pivot or rebalancing outside of the side of the United States, in Asia, in the West Pacific, and this indeed, as you said, that's unsettled the nerves

of the many Chinese. And I think these things are the real things that you have to see them. You know, you see, the interesting thing I observe is that sometimes you're on China's side (inaudible) but then you immediately say to the whole world, "I don't mean that. We don't mean that." But you do something and then you say that we don't mean that. I really doubt (inaudible). That's the thought that I have (inaudible) say more on that.

And also, I will cut myself short to give more time to the audience.

(Applause)

MR. BADER: Thank you for your comments, for your remembering kindly our encounter five years ago. And I appreciate your criticisms. I don't entirely disagree with all of your criticisms. I think to some degree we're talking about a glass that is either half full or two-thirds full and I perhaps was focusing on the full part and you were perhaps focusing on the empty part. You said that I think that it's easy for Americans to think that the relationship is normal,

not so bad, and it's harder for the Chinese. I don't think that's true. I go around the United States and I hear at least as many Americans who are dissatisfied with or are critical of the relationship as Chinese. This is not a question of Americans who are looking for a relationship through rose colored glasses and Chinese see it more darkly.

In fact, in my own experience, I think the real divide -- I think the divide is largely between people who have been working in the government on the relationship (inaudible). I think those of us who have worked within the government on the relationship, both Chinese and American, have fairly modest and realistic expectations about what can be accomplished, and they also feel that there is no good reason for us at the same confrontation and crisis because most of us who have been in the government have dealt with such situations many times in the past and seen nothing inevitable about the dark scenarios that one can come up with from the outside.

Now, the specific issues you mentioned --

things like U.S. (inaudible) restrictions, concepts with China, U.S. arms sales to Taiwan (inaudible) subjects we could discuss and debate, but the only thing I'd say backing this, there's nothing new. There's nothing new here. The U.S. has been selling arms to Taiwan since before my birth. It was a long time ago. Whether it's a good thing or a bad thing, I know how (inaudible) feels about it. It's not new. And, in fact, we've been stressing the last few years in our approach to Taiwan, it's an encouragement of Ma Ying-jeou and the economies in Taiwan to pursue a development of the most possible costal relationship with the mainland, which is what has been happening, thanks in large measure to the approach of Ma and the approach of the Chinese government. I've spoken to many Chinese who seen to assume darkly that we are trying to keep the two sides apart. On the contrary. We encourage Ma constantly, at every opportunity, to go down the road we've gone down, and let's just say it's been a lot more comfortable for the United States the last few years with Ma Ying-jeou governing Taiwan

than it was in the years before that with Chen Shui-bian in Taiwan.

As for the security dilemma and your point about power and interest being more important and intanginous (phonetic @ 0:43:15) and what I talked about is largely rather -- I guess I am just not of the school that believes in theory over practice. That's all I can say. I think there is international relations theory and there is what happens in the real world and the two have some degree of coincidence, but there is nothing inevitable about great powers, dominant powers, and rising powers (inaudible). If there was something inevitable about it, I never would have gone into government and gone into working on the relationship with China. I would have followed Chairman Mao's advice and built tunnels deep and stored rain and simply waited for the inevitable. I don't think it's inevitable. I see nothing inevitable about the conflict.

The relationship, again, I don't want to keep harping on it. The relationship between the U.S.

and China is a tremendous, intricate thing. And the interests on both sides are at least equally important as the pressures in the security dilemma that Dr. Zhang and I both spoke about. I said the U.S. is not seeking to contain China. Dr. Zhang said those are nice words. I lived through a period where the U.S. pursued a policy of containment toward the Soviet Union for decades and pursued a policy of containment towards China for Nixon's visit. And I know what a policy of containment looks like -- a policy of containment involved in that case the explicit objective of the downfall of the Soviet empire and the termination of its form of government through a political-military alliance which was explicitly aimed at the containment of the Soviet Union; the complete isolation of the Soviet Union and the Soviet bloc from all constructive relations with the West. Economic isolation. Virtually no significant people-to-people interaction. Total economic isolation between the two sides. That was containment. I don't see that. I don't see those elements in the U.S.-China

relationship.

I talked to the U.S. military leaders. In my last job I would see them quite regular and since I left I still do see them. And they do not talk or seek confrontation. They do not talk about containment of China nor seek confrontation with China. They are military leaders on both sides, as Dr. Zhang (inaudible) reality. They each make plans for contingencies, but that does not mean that they are bent on acting out those contingencies or trying to position forces in ways that make the likelihood of having to act on those contingencies more plausible.

The last thing I'll say is just on pivot. Sometimes we do things and then we say we don't mean it. Let me try to deal with the term "pivot." I personally do not like the term. I think the term sounded -- has a military component to it, hinging on a war in Iraq and Afghanistan and now we're free to look to Asia. I think that is an unfortunate connotation. It also suggests that we're somehow leaving the Middle East and decamping to Asia.

Goodbye Middle East. That's obviously not either our intention, nor possible. So I think it's an unfortunate word.

From the beginning of the administration, we believed that we were not paying sufficient attention to Asia. We believed that all along. And we did a number of things to try to put us more back in the game in Asia than we had been during the period of obsessive focus on Iraq and for the long term. And that included things like the decision to join the East Asia Summit, which we had to return a welcome (inaudible) first country to invite us into joining them, and the decision was made public, building a different kind of relationship with Southeast Asia; meeting with the ASEAN 10 leaders each year for the first time; opening up a relationship with Myanmar, which was isolated for two decades; strengthening our relationship with South Korea. A large number of things we do.

Now, I do not think that we would have done something and then (inaudible). We need it to be more

present in Asia. What I would say about the rebalancing policy, and I think that the administration could be more (inaudible) in talking about (inaudible), I think an impression has been left that rebalancing is directed at China. That is, I believe, both unfortunate, and I believe, wrong. The intention of rebalancing is a recognition that Asia is the most dynamic place in the world. It's the fastest growing economically. It's where the future opportunities are. And the U.S. has long been an Asia-Pacific (inaudible), and we were whittling away our resources (inaudible), instead of being more deeply involved and engaged in the most dynamic place in the world. And it happens that China is the core of this most dynamic place in the world. So I think we should do a better job of making clear that rebalancing is not directed at China, but rather that rebalancing is a shift in tension towards an Asia in which China is a central player. And the U.S. wants to be a beneficiary and an actor in that kind of Asia; not in marshaling forces against an emergent China.

And there's very little question that this rebalancing, whatever you call it, was welcomed by the countries in the region. When I became involved, in 2009, I heard (inaudible) from senior officials from throughout Southeast Asia and also in the region that they were unhappy with what they saw as lack of American extension to the region, particularly Southeast Asia. And they wanted (inaudible). They didn't want us there (inaudible); they wanted to see a sign of U.S. commitment and sustained presence in the region. Some of them, in the way Dr. Zhang described. I would call them political realists. They see China rising. They see India rising on the other side. And if you're a small country in that situation, your natural instinct is you want more big countries involved rather than less. I have no doubt (inaudible) that that was (inaudible) that the U.S. demonstrate its sustained presence.

So I think there are elements in the international relations theory that are flagrant. Anyway, I talked incredibly long enough. I can see

that Dr. Zhang is entirely convinced by what I've said. But perhaps you can now explain.

DR. ZHANG: Okay. Well, (inaudible) as you said, but I think it's good (inaudible) to make each division clear. And I just want to save time for the audience to raise questions. I think (inaudible) at least in one point I agree with you; that is I hope that in the next five or -- four or five years in Obama's second term and Xi's first term, I hope -- I also hope to see a better (inaudible).

Yes.

SPEAKER: (Inaudible) I'm very interested in, as you've been serving as the director of East Asia for National Security Council (inaudible), interested in how the policy of so-called pivot to Asia was formed originally. Who are the original players that formed that policy? And what is now the definition of either pivotal Asia or rebalancing in the Asia-Pacific region? If not a set definition is being provided, which I've asked many experts before from the United States -- no satisfying answer has

been provided; I hope you can do it this time -- but just if there were no absolute definitions, is there a danger that this policy can be shifting these directions in so many different ways and therefore put a burden on that lack of relations? (phonetic @ 0:55:39) Thank you very much.

MR. BADER: As indicated, from the beginning, from January 20, 2009, the administration took a look around the world, took a look at U.S. resources, U.S. interests, and quite systematically and strategically determined that they were underweighted in Asia compared to our interests. And that we were overweighted, as it were, in conflicts in the Middle East and South Asia. So we didn't give it a name. That was just an understanding. And an observation that (inaudible). And so you saw things such as one month after she came into office, Secretary Clinton's trip, first overseas trip was to Asia and to China, to Korea, Japan, and Indonesia. That was the first time that had happened in half a century. So that was meant to be a statement of the

priority of (inaudible).

The first visitor to the Oval Office was Prime Minister Yasuo of Japan, even though he didn't last in power very long, but we wanted to make a statement (inaudible). And a decision one month into office to join the treaty (inaudible) cooperation of Yasuo. A whole series of steps would be took to highlight (inaudible) attention to Asia. Now, the word "pivot" I never heard used until President Obama's visit to Asia in November of 2011 for the East Asia Summit and the term was rolled out in conjunction with that trip, not by the secretary of state, but by I recall communications strategists (inaudible). Now, this is not surprising. Let me explain how this works.

When the president goes on a trip there's a noticed press corps that goes with him. And the world and the American public interprets the trip -- whether it was good, bad, accomplished a lot or it didn't -- based largely on the press conference. And these judgments can sometimes be completely highly

superficial.

I was on President Obama's trip to China in 2009, and frankly, we got eaten alive by the media. I thought the trip went quite well, but from the media point of view it was a disaster. The basic theme that came out in the American media was roughly as follows. China is a rising power; the U.S. is a declining power. We owe China $1.3 trillion. We came to China as a (inaudible). Period. Exclamation point. That was basically the story of the trip.

Now, to say that these are at best half truths -- and these aren't even one-tenth truths except for $1.3 trillion -- but everything was put into that mold. So we had a town hall at Shanghai, (inaudible), and that was a sign that we (inaudible). So what I learned is (inaudible) when the president goes to Asia -- it doesn't matter where he does -- there are only two stories in the media. First of all, the trip is always about China. It's not about Myanmar. It's not about Thailand or Cambodia. The two basic stories are that the president went to Asia

and with weak and was supplicant and kowtowed to the Chinese or the president went to Asia and was triumphant and put the Chinese on their back feet. Those are the stories. They're both wrong. They're both shallow. But strategic communications people try to ensure that if they can get one of those two stories, it's a strong story, not a weak story. And so you come out with a theme that unifies the whole trip.

Now, this was a highly successful trip in which important things were accomplished at each stop. In Australia they announced the rotation of troops in North Australia. He went to the East Asia Summit. The president joined in for the first time. They announced the agreement of the Trans-Pacific Partnership. Secretary Clinton peeled off and went to Myanmar; reopened that relationship. Highly successful trip with accomplishments.

To make it appear easy for the media to understand, the word "pivot" was put out there to uniform a distinct set of accomplishments and help

write the story and (inaudible) press coverage. Compared to the trip that I handled for China, it looked pretty good.

So that's not exactly the question you asked but I hope it helps understand where the word "pivot" comes from. I think it's a lost cause to look for a simple definition of pivot or rebalancing, and basically what it is is the U.S. deciding where its resources should be weighted and understanding that Asia is the most dynamic place in the world and we need to be more present in a sustained way in Asia. And that includes all elements of the U.S. (inaudible). It includes political. It includes economic. It includes people-to-people. It includes security. There has been, in my view, much too much emphasis on the military and security piece where the actual changes have not been made, but it's easier to write it out and it's more visible, so that's what's gotten the attention.

SPEAKER: Quick comment and then a question. By way of comment, I would just like to basically

endorse what you said about the need for government officials (inaudible) government officials. As Jeff knows, I worked with him. I was responsible for the bilateral trade relations, at least in the first year of the Obama administration when I was at the U.S. Trade Representative's office. And I agree that when you're in government and you're working with the counterparts, there's a sense that people are earnestly trying to address problems and that they want the relationship to work. And so I share Dr. Bader's optimism that very capable and good intentioned people on both sides will try and make the relationship work.

In terms of the question, Jeff, you talked about a kind of evolution, at least in the press strategy. And there seemed to be a shift sort of midterm in the relationship. Would you say that there also was an evolution in thinking about how the relationship should be managed from the U.S. side? Can you describe any evolution and actual policies that you might have experienced during the first two

or three years?

MR. BADER: Tim, that was a much thought about question, and you'll get a different answer from me than you'll get from other people I suspect in the administration. Certainly, you'll get a different answer from me than you would get from most of the American media.

Sure. In my view, I mean, I've got a certain stake in this. I came in to what I thought was a positive and realistic impression of what could be done in U.S.-China relations. We've been involved in that since the 1970s. I did not have illusions that we were about to wash away all problems in a sudden spirit of harmony. Part of -- well, one type of view in the first year -- and this is something I'm personalizing somewhat -- this was the approach of the Obama administration -- we had learned from past mistakes and that meant, in particular, the states of 1980 and 1992. In 1982, President Reagan who was very upset over the break in diplomatic relations with the Republic of China denounced the Carter administration,

denounced the administration's China policy, talked about reestablishment of some kind of official relationship with Taiwan, talked about (inaudible) Taiwan, and made Taiwan a big issue. And this (inaudible) as you will recall. (Inaudible) long and difficult negotiation leading to the August 17, 1982 communiqué, a tense relationship between the U.S. and China for a year and a half before we ended up with essentially under President Reagan a policy that was (inaudible). And then going (inaudible) we saw the same mistake (inaudible) Clinton in 1992 when he talked in reaction to (inaudible). He talked about the butchers of Beijing and demanded in (inaudible) office with conditional (inaudible) strategy. And it took us two years to recover from that mistake and to essentially (inaudible) the policy that President Bush (inaudible). So we were determined not to do that.

Now, I'm afraid that a lot of people looking in from the outside read this as meaning that we had unrealistic expectations about the relationship and put emphasis solely on the positive and didn't see the

difficulties in it. And then when difficulties arose in the first year, in the second half of the first year, in early 2010, that we were, as it were, mugged by reality and changed course. I don't believe for a second that that's what happened. (inaudible) say, yeah, that's right. I do not believe it. I think that, you know, relations were somewhat tense in 2010, not because we suddenly woke up from our dream and realized that we had been had. I don't believe that happened at all. My interpretation, and I wrote a book about it, is basically that some things happened in the region and China did some things in 2010 to which the U.S. and other countries in the region reacted. So it didn't happen in 2009; it happened in 2010. And specifically, they were complications by North Korea, the sinking of the *Cheonan*, nuclear tests by North Korea, shelling of Yeonpyeong Island, revelation of its uranium enrichment program. And I believe on our part that China (inaudible) of North Korean behavior. That helped encourage North Korean behavior. So we did some things in our relationship

with South Korea to signal solidarity with South Korean in response to what we saw as aggression against South Korea. And that put us at odds with China.

Similarly, the South China Sea (inaudible) Secretary Clinton (inaudible) and that's a very long subject, but the gist of it was it was largely a response to concerns in the region by other (inaudible) states and (inaudible) principals that should govern. All the things we did in 2010, the president met with (inaudible). He had not met him 2009. We had felt it was better not to meet with him when he came to Washington right before President Obama went to China. We felt it would cast a bad atmosphere on the trip. But I think that some people may have judged that we were fundamentally changing our approach, which we were not. We were just doing it as a (inaudible).

So there were things that happened in 2010 that illicit a response by the other states that did not happen in 2009. And that's why I think the policy

looked different, not because we said, “Oh, my God. We (inaudible),” but because specific things happened. I think with China also in 2010 drew some conclusions. And if you look at the article that (inaudible) wrote that was published on Administrative Foreign Affairs website in late 2010, the essence of it was that China was still committed to (inaudible) foreign policy. (Inaudible) essentially (inaudible) keeping a low profile and being careful. That (inaudible) was no accident. (Inaudible) sit down one day and (inaudible), “Gee, I think I’ll reiterate (inaudible).” What happened was he saw and the leadership saw that Chinese relationships in the neighborhood were (inaudible). His relations with South Korea, with Japan, with India, with Indonesia, with Viet Nam, with OSEAN were all (inaudible). And he and the leadership made the correct judgment. Deng Xiaoping came up with that formula because he understood that China’s rise was going to be unsettling for countries in the region. He understood that instinctively from the beginning. He understood

Chinese history. But in 2008, when we had our economic meltdown, some intellectuals in China, some nationalists in China, some retired military people in China, precluded that at the time of the U.S. decline (inaudible) and China's rise should be more visibly assertive in the world. And so you had a couple of years of rather -- I think rather triumphalist literature coming out of China without much of a (inaudible).

I spoke to counterparts of Dr. Zhang in the academic think tank world and I asked them, you know, why are you all silent in the face of what I regard as heightened (inaudible) interpretation? And (inaudible) said to me, "Frankly we're okay. When we write something (inaudible) denouncing (inaudible)." And I think that leadership in Deng Xiaoping and (inaudible) understood that they need to have a rebalancing of their own of Chinese foreign policy discourse.

So I kind of went off on your question a bit but it leads to a number of other subjects. As I say,

I have colleagues -- a fellow in *The New York Times* wrote a long article on Obama foreign policy about two months ago and he called me and wanted my help on the (inaudible) Asia policy, and I went on at great length explaining to him how there had not been a shift in 2010; that we've had a steady policy with reaction to events. And I was no more convincing to him than I was to Dr. Zhang. He went ahead and wrote the article saying -- and he quoted me saying there was a shift. (Laughter)

SPEAKER: Dr. Bader, you said that the abilities of China and the U.S. to deal with their own domestic, economic issues is actually essential to the relationship. So I was wondering how optimistic are you that China can successfully rebound with the economy? And on the U.S. side, assuming that we avoid the fiscal cliff, how will the Obama administration be able to deal with defense cuts and the Middle East still requiring a lot of resources?

DR. BADER: That's a rebundled question (inaudible). I think that's a very important

question.

I remember before Hu Jintao visited in 2011, and I was meeting with the president before and talking through the agenda and talking about how we would characterize the visit. (inaudible) the political security relationship where I think we have a lot of positive things to say right now. We've done good things together on Korea and on Iran and on Sudan. He said that the economic relationship where (inaudible) mixed, accomplishing things that we haven't on others, and the third area is human rights where you probably won't want to say anything positive. And (inaudible) talked about the political security side and he said, "Well, from a public perception point of view, people aren't going to care about that. They aren't going to care about (inaudible)." So I said, "You're the president and I'm not, and you're the one that can judge public perceptions. Obviously, you got more votes than I did." But nonetheless, I think that things held true. You have these different pieces with different

results. And I kind of talked him into it, but when I got them, it was his perspective and what he most cared about and what he thought the American people cared about. And I have no question that he's right about that. (inaudible)

And the theme of the discussion was invariably how are we going to better access Chinese markets and how are we going to have a more level playing field (inaudible)? I think with the intended Chinese rebalancing it's absolutely critical. China has a long and intrinsic dynamic economy. On the other hand, it's an economy that from the point of view with let's say the United States, looks to be (inaudible) investment; investment that is not always conditioned effectively by markets. With the result you get overproduction on certain areas, then markets -- most markets can't absorb that production, looking overseas for places to dump those products. And Chinese consumers who are not as empowered and don't have the resources that they should have to buy things, which is where the United States comes in.

So rebalancing that top Chinese economists had talked about as something that is necessary for China to move to the next level of development and to avoid the so-called middle income trap, I think most American policymakers understand that is exactly the right approach but these are decisions which obviously only China and Chinese leaders (inaudible). But I find it very heartening to know that the leadership understands the systemic challenges in the same way that we do. The real question that is implicit in your question is is there the so-called political realm and capability to do the really hard things that are involved in this rebalancing? Because there are many vested interests that will mainly be affected by it. And in some ways it goes to kind of the core communist party principles.

There was a report published by the World Bank and the Development Research Center of the State Council that talked about many of these issues, and it got a very hostile reaction from some elements of the Communist party leadership, even though it was

authorized by the highest level of the Chinese Communist party. And our side (inaudible). Reviewing some of the (inaudible). A sensible budget deal seems to be within reach. The politics are as complicated on the U.S. side as were just discussed on the Chinese side. For example, for republicans, the vote for a balanced budget deal involves raising taxes as well as cutting revenues, is going to expose them to challenges in primaries in 2014. And some are anxious to do that. But I think you've identified the essential challenge. And what I would say is this. If we can collectively move the economic relationship forward with each of us doing what we need to do, I think that is at least as important as anything else we can do to make sure that the security bill as Dr. Zhang reminds us of diminishes (inaudible).

DR. ZHANG: Okay. Since we ran out of time, I'm sorry I have to cut it off here. And I would like to thank Dr. Bader very much for your active speech and also very informative impact with the audience. I especially want to thank you for direct and

straightforward response to my questions and comments, although I don't think (inaudible), but I got your point. So I think that this kind of exchange directly between the scholars and officials of the two countries will definitely help promote better relationships in the future.

So, and thank you very much, the audience, thank you for coming to this important event.

(Applause)

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