

THE BROOKINGS INSTITUTION

35 YEARS OF U.S.-CHINA RELATIONS:
DIPLOMACY, CULTURE, AND SOFT POWER

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Welcoming Remarks:

CHENG LI
Senior Fellow and Director, John L. Thornton China Center
The Brookings Institution

QU XING
President
China Institute of International Studies

SPORTS AND CULTURAL DIPLOMACY:

Moderator:

WILLIAM ANTHOLIS
Senior Fellow and Managing Director
The Brookings Institution

Panelists:

YAO MING
Athlete, Entrepreneur, and Philanthropist

DAVID STERN
Commissioner Emeritus
National Basketball Association

YOUNG SCHOLARS ON U.S.-CHINA RELATIONS:

Moderator:

YANG RUI
Television Host
CCTV

Panelists:

PETER HAYS GRIES
Harold J. & Ruth Newman Chair and Director, Institute for U.S.-China Issues
Professor, College of International Studies
The University of Oklahoma

MELANIE HART
Director, Chinese Energy and Climate Policy
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Fudan University

QU FENGJIE
Senior Research Fellow and Director,
China-U.S. Economic Relations Department
Institute for International Economic Research
National Development Reform Commission

35 YEARS OF DIPLOMATIC TIES:

Moderator:

CHENG LI
Senior Fellow and Director, John L. Thornton China Center
The Brookings Institution

Panelists:

EVAN MEDEIROS
Senior Director of Asian Affairs
National Security Council

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P R O C E E D I N G S

MR. LI: Good afternoon. I would like to welcome you all to this very special conference in celebration of the 35th anniversary of U.S.-China diplomatic relations. My name is Cheng Li, and I'm a director of the John L. Thornton China Center here at Brookings.

I'm thrilled to see such a big crowd of people. I had no idea I was this popular. (Laughter)

Well, just as we are finally seeing a thaw in the temperature in Washington this week after a very long winter, the thaw in U.S.-China relations more than three decades ago was almost equally as long awaited. The thaw began with some ping pong diplomacy during the presidency of Richard Nixon and the ice finally fully melted by the time President Carter and the Chinese leader Deng Xiaoping agreed to the 1979 Joint Communiqué on the establishment of diplomatic relations.

It seems quite fitting that we are holding this event during a week when we have seen pictures streaming back from China of First Lady Michelle Obama playing ping pong, learning Taiji, actually in high heels, no less-quite impressive if you saw the picture, strolling on the Great Wall, and appearing at schools to speak to the future generation of Chinese leaders. Her trip is proof that American continues to regard its relationship with China as one worth strengthening visit by visit, activity by activity, dialogue by dialogue, and student by student for the long term.

It also speaks to how this relationship has developed over the past 35 years that our star guest today will not be talking about ping pong, but the sport of basketball, which as anyone who has visited a college campus in China can attest it is even more popular in China than it is in the United States.

We are so lucky to be joined today by former NBA star Yao Ming and

NBA commissioner emeritus David Stern, who will speak about the important role of sports in public diplomacy. Both of them have flown into D.C. just to attend this event, and that speaks to their commitment to advancing this very important cause.

Yao Ming and David Stern, we are so honored and privileged to have you here this afternoon.

This panel would not have been possible without intellectual initiative and the convening input of Brookings managing director, Bill Antholis, who will serve as moderator for this panel. Thank you for your support, Bill.

We are also extremely lucky to have with us delegations of influential young leaders and scholars from both China and the United States, who have participated in a private roundtable yesterday and also this morning. The events this afternoon are the culmination of these discussions.

And in our second panel we will have the opportunity to hear about the future of the U.S.-China relationship from some of the most talented, remarkable young scholars.

In the concluding panel, we will hear from a very influential young scholar in his own right, Evan Medeiros, the senior director of Asian Affairs in the National Security Council, who I will introduce later today.

The arrangement of these three terrific panels not only reflect our desire to bring together some of the most recognizable figures and some of the most brilliant minds -- and actually, they overlap -- in the world to discuss how we can continue to strengthen the crucial U.S.-China relationship, but also facilitate a true dialogue across all generations, across all sectors, and across all gaps of knowledge to learn how to effectively contribute to make this relationship stronger.

Now, let me turn to the cohost of the conference. A distinguished

diplomat, a devoted educator, accomplished scholar, and longtime friend of Brookings, Dr. Qu Xing, president of the China Institute of International Affairs, to offer his welcome remarks.

(Applause)

MR. XING: Ladies and gentlemen, good afternoon. My name is Qu Xing. I am the president of China Institute of International Studies.

On behalf of my institute, as a co-organizer of this event, I would like to express a warmest welcome to you all. We get together here this afternoon to celebrate, to commemorate the 35th anniversary of the establishment of the diplomatic ties between China and the United States. We know that 35 years ago, in 1970s, when China's leaders and American leaders decided to improve their relationship, to establish diplomatic ties, they had probably three common, but differentiated, objectives.

From U.S. side, for instance, I think the first objective, the first goals of this policy was to turn China from a hostile country to an amicable country in order to improve the strategic position of the United States in competition with the former Soviet Union. The second goal of the United States may be at that moment to end the Vietnam War in a decent way with China's help. The third goal of the United States was to reduce divergences between the U.S. and its western allies in terms of China.

From the Chinese side, I think there were also three objectives. The first one is to turn the United States from an enemy to an important strategic partner in order to reduce the threat from the former Soviet Union. The second objective from China at that moment was to improve cross-strait relationship in order to facilitate national unification. The third objective of China was to improve China's relationship with the western world.

We can say that both China and the United States succeeded in this

regard. The United States won the Cold War. The United States ended the Vietnam War in a decent way with China's help. And when the United States improved its relationship with its allies, China was no longer a subject of divergence between the U.S. and other Asian countries.

From the Chinese side also, the former Soviet Union was no longer a threat for China, and the cross-strait relationship has been largely improved so that today this relationship entered in a very (inaudible) cycle. And also, China succeeded in expanding its diplomatic net worth throughout the world, making possible China's policy of reform and opening up. That brings China to its success today.

Thirty-five years passed by. Today, some people worry about the future of the China-U.S. relationship. They are saying that according to international theories, international relation theories, a rising power is impossible to coexist within the established power. And the history of international relations provided also some cases in this regard.

So a major question for China and the United States in terms of their bilateral relations is is it really inevitable that a rising power will go into confrontation with an established power? We don't believe so. We don't believe so. We think that a new model, a new type of major power relations is totally possible because the work today is changed. So in the essence of this new model of power relationships is to avoid the zero sum gain to create (inaudible) situation so it is totally possible.

So that's why we are here today, this afternoon, to commemorate the 35 years of diplomatic relations between China and the U.S. Most of the members of my delegation are young. I would like to be also young, but I am not.

So most of the members of my delegation are young scholars. We bring them here today because the youth represents the future of the nation. An

understanding between young scholars of China and young scholars of the United States may shape the understanding, the future of the relationship between China and the U.S. May shape the understanding between two nations, China and the United States.

We are extremely lucky to have Yao Ming here today. Yao Ming is a perfect representative of China in the United States. When you go in (inaudible) the United States, Washington, you ask so who is president of China, prime minister of China, you're not sure of the correct answer. But if you ask who is Yao Ming, everyone knows. So that's why we are very happy to have Yao Ming and other Chinese young scholars share with us their perceptions, their understanding, and their thinking concerning our world, concerning China today, concerning the future of the final American relations. I wish, and I believe that our event will be a very successful one. Thank you.

(Applause)

MR. ANTHOLIS: While Yao is getting mic'd, I'll start by first thanking Cheng Li and the entire John L. Thornton Center. This is, if not the best collection of China policy scholars in the country, in the United States, it may be the best set of China policy scholars in universities here and around the world. It is an extraordinary group of people, including Cheng Li, who is the director, and his predecessor directors, two of whom I see in the audience, Ken Lieberthal, Jonathan Pollack and Jeff Bader before him. It's a great group, and we're delighted for them hosting this event, and the hospitality that they showed to me and my family two years ago when I spent three months traveling through China in preparation for a book.

We are celebrating a major -- not just transition, but a transformational event of 35 years ago, and today we're really blessed and honored to have two transformational figures in this sport that many of us hold very dear. You know, in 1979,

ping pong gave way to basketball. After the ping pong exchanges, there were basketball exchanges that followed. As I think Cheng Li touched on, basketball is the most popular sport in China, perhaps other than ping pong. There are more people that play basketball in China than there are people in the United States total -- over 300 million people playing basketball. And it dates back to the late 1800s when the missionaries that founded basketball in America through the YMCA took it all around the world. And in China it took hold, and the hold was so great that even during the Cultural Revolution where other western and bourgeoisie activities such as music and art and literature that had associations in the West were banned, basketball was not. It could be found on courts and in alleyways all across China.

And we saw that ourselves two years ago. We had arrived in Beijing in March. We, with friends, went to the Forbidden City. And after you go through the front gates there's a basketball court fairly soon inside the Forbidden City. And there were a number of army boots lined up on the edge of the court, and on the court was a three-on-three game of People Liberation Army members all wearing Nike and adidas and American brand shoes that were probably made in China, of course. It was an extraordinary moment for us as we were about to go to one of the most treasured places in all of China to see this sport that perhaps started as an American sport but really is a global sport and something that we all own. As an embodiment of that, it's the highlight of the Olympics. The final basketball game is played almost always on the last closing weekend, and it is considered perhaps the great team sport of the Olympics every year.

We didn't just see it in Beijing; we saw it in Shanghai where at the court near us there would be pickup basketball games at 7 o'clock in the morning, and the players were all wearing LeBron James and Kobe Bryant jerseys of one kind or another. But you'd see it on the streets where people were wearing hats or t-shirts or other things

of NBA-branded products.

And today we're honored as a result to have with us perhaps the two single-most important people in making -- in not just bringing basketball, but bringing the NBA to China, and bringing China to the NBA in Yao Ming and David Stern. It goes without saying that Yao Ming is a giant, but he's a giant in the most important ways, which is being able to bridge two cultures that were deeply divided for many, many years, but also beyond that in his other activities in public life and private life.

Just to give you a sense of the transformation that he himself has traveled, when he was born one year after the reestablishment of diplomatic relations in 1980, the average person in Shanghai made all of about \$1,800 a year. By the time he came to American in 2002 that had risen to about \$4,000 a year, and today, it stands at about \$13,000 a year on average. And that's just in Shanghai. Now, of course, across China there are great disparities of wealth, and one thing that we talked about before coming in here and hopefully we'll talk about today is the broad effort to try to address those disparities in China, which is a real priority for Yao.

He was the first true Chinese NBA star. There had been other Chinese-born players in the NBA, but if you followed his career, you know that he was the top draft pick in 2002, drafted by the Houston Rockets. And in his eight NBA seasons, he appeared in the NBA All-Star game all eight years. He averaged 19 points a game with nine rebounds and just under two box shots a game.

MR. YAO: Nine.

MR. ANTHOLIS: Nine.

MR. YAO: As a contract.

MR. ANTHOLIS: Nine as a contract.

But you sat out one year because of an injury.

MR. YAO: I will never get wrong on my contract.

MR. ANTHOLIS: I stand corrected as all scholars at Brookings are from time to time.

He is now the owner of the Shanghai Sharks, which is the first professional team that he played for a few years before the Rockets drafted him. And as I mentioned, his philanthropy and public engagement ranges on a wide range of issues from environmental protection, including protecting sharks and the shark fin, rhinos and elephants -- his well-earned affinity for very large animals and other species.

But when it comes to humans, his focus has been on the smallest and least protected and most vulnerable. He's had a particular emphasis on children, on building schools, and on addressing those who were impacted by earthquake across China, in particular, the Great Earthquake of 2008 in Szechuan Province that killed almost 70,000 people and left countless others missing.

From one giant to the next. The man seated next to me may not appear as tall as Yao. In fact, I'm not sure exactly if we stood back to back who would be taller. But David Stern is a giant, not just in American sports but in public diplomacy and in American business, and in American philanthropic and cultural life. He inherited a league that was on the verge of bankruptcy 30 years ago, and served as commissioner for 30 years exactly, becoming commissioner emeritus on January 31st of this year.

I get that right?

MR. STERN: Right.

MR. ANTHOLIS: In those 30 years, he took the league from bankruptcy, and revenues have increased 30-fold in that time. Seven new teams were added. A few other teams moved around.

MR. STERN: Come on. Ask Yao a question. You don't have to build

me up.

MR. ANTHOLIS: Well, we're going to start asking questions in a second. I just want to give people some context. Remember, though, this is being broadcast on C-SPAN. The overlap of C-SPAN and ESPN viewers is not one-to-one.

MR. STERN: Says you.

MR. ANTHOLIS: He has helped promote exhibitions all around the world, and he has recruited top talent from every continent on earth, with the exception of Antarctica, but that's probably coming, too. And if he had served a few more years, perhaps even there.

The NBA's mission has not just been to promote basketball but to promote all of the things that surround basketball, and that's including social issues in the United States and abroad from human health and development, physical well-being, but also things like racial disparity and income inequality. It's an extraordinary accomplishment that is unmatched in professional sports in the United States.

David did not get through this without having dealt with challenges and controversies, but throughout, he lifted the game rather than dragging it through those issues, and so it's a real credit to us that he's here with us today.

I first saw David, or most recently saw David and met David and first met him in October when he received Harvard University's W.E.B. Du Bois Medal, which is in recognition of contributions to African and African-American culture, which gives you a sense of the breadth of his own contributions. They extend to the Board of Columbia University where he served as chairman, as well as serving on the boards of Beth Israel Medical Center; the Rutgers University Foundation where he is a graduate; the National Association for the Advancement of Colored People; the Martin Luther King Federal Holiday Commission; the Thurgood Marshall College Fund; the Paley Center for the

Media and Jazz at Lincoln Center; and the Global Coalition on HIV, AIDS, Tuberculosis, and Malaria.

All right. I'll turn to Yao now.

MR. STERN: Thank you.

MR. ANTHOLIS: You're welcome.

So Yao, I want to start with the idea of professional basketball and when you first started playing it, which was a relatively new sport -- I mean, a new development in China. China had had basketball for many years. Your father played basketball. But you started playing professional basketball there and then made the transition to playing professional basketball here. Tell me about that. What was that transition like?

MR. YAO: The transition is great. The professional basketball I played in China started in '97. I played five years for my Shanghai Sharks and was drafted by the NBA in 2002, heading to the Houston Rockets. It's a totally two different country, different culture, and different people behind everything, but we are all linked by this very simple interest, which is basketball game. We are very interested. We love this game so much, and obviously, so many people participate -- I always have problems pronouncing that, sorry. I lived in Texas too long. (Laughter)

This game links so many people. Either we know each other or we don't, and we always either plays the game or watch the games through television or now with the new media, Internet, everything. I mean, this game just brings everybody together.

MR. ANTHOLIS: I want to ask quickly about the game. How different was the game itself when you made the transition? Was it played differently in China? You know, you can go to simple stereotypes about team versus an individual sport, but I've been so struck by the complexity of NBA playmaking. Did you experience a transition in thinking differently on the court?

MR. YAO: Of course, the NBA is more physical than the CBA, and there's a world class right there. I don't want to say that but it is true. But beyond that I have to adjust into a new culture of the entire NBA league. I have to play with and also live with my new teammates, either the guy from college or maybe some guy from high school. Like I just mentioned, I started playing professional at 17, so you can treat me as a high school player in the beginning.

MR. ANTHOLIS: Right. So David, as you watched Yao make that transition, how did he do? I mean, you'd seen other international players come to the NBA. You helped spearhead the bringing of international players here. What was similar? What was different? And how did he adjust in this situation?

MR. STERN: I would say that although this year, at the beginning of the season, we had 80 international players on our rosters, there was nothing like Yao Ming. I can still remember, I don't know if it's in the photo reel that's flipping around here, his being in the studio, the CNN studio in Beijing when I announced that he was the first pick in the 2002 draft. And then became a journey. The pressure on him, some sense that he was the ambassador for this entire country, and all of a sudden Americans were going to learn more about China than they knew in other ways through Yao Ming. And he took to that responsibility. And in an interesting way, through television, our Chinese fans were going to learn more about America through Yao Ming. And this is for a young 22-year-old who was being burdened with this -- I think he did wonderfully because he became an all-star player and at the same time he became an ambassador, in effect, for two countries. And that to me was his extraordinary beginning contribution.

MR. ANTHOLIS: And did you feel that pressure at first that you had all of China on your shoulders?

MR. YAO: I can feel it often.

MR. ANTHOLIS: That's a lot of people.

MR. YAO: Actually, I feel the pressure, not from the people but from those cameras.

MR. ANTHOLIS: Was there a moment where you felt you had made it and suddenly the pressure diminished and maybe different pressures took on?

MR. YAO: That's why, you know, I think when you focus on something like when there's a basketball game I can focus on, you will reduce that pressure automatically because everything all comes from basketball. When you can -- how can I say this? When you don't know what to do, do the best -- you do what you're good at. That's what they say; right? So, yeah, I do feel a lot of pressure but either on myself or my parents have just told me that you just need to focus on basketball. Do what you're good at and let time take care of the rest of it.

MR. ANTHOLIS: Did you ever wake up and think I've become an American?

MR. STERN: He left his hat -- his big hat in the car.

MR. YAO: I did feel times when we finished a game on a road trip and we flew back to Houston in the middle of the night and there are no cars on the highway, we slide down the window and pop music and maybe drive the car -- maybe I should not say 100 miles an hour. (Laughter)

MR. ANTHOLIS: You can do that in Texas.

MR. YAO: Well, that's after I got my first license. But, I assume, that's still illegal; right? Well, no, I'm going to say the lifestyle, you know, I live in Houston so, and I live among those players, you will adopt some of their -- pick up some of their culture and some of their sense of -- that's automatically picked up. It's not like something you have to go to school and you have to buy a book to learn it. You learn

from the lifetime spent with them.

MR. ANTHOLIS: And if you think back now, it's been 15 years since you were drafted almost. You were drafted in 2002?

MR. YAO: I'm not that old yet.

MR. ANTHOLIS: About 12 years. Twelve years since you were drafted. When you think back on it now, how do you think the two countries have moved along in understanding one another, either as a result of this experience or more broadly than that?

MR. YAO: I think this created an opportunity for us. People like to watch sports games in China -- in both countries. And this provides a channel for us. Through sports, we extend our sense into life in America. And also, I should say every year there are dozens of journalists, sports journalists who come to Houston to follow the Rockets games. Often I would talk to them and besides the basketball game, they're also writing something like American life and how American teenage thinking and how people treat the game, how they think about the game. And all those are part of American culture. And those packages are all delivered back to China through their pen.

MR. ANTHOLIS: David, when you've taken the exhibition tours to China, do you see the other thing going back that journalists that travel with the team that follow the sport but then get to know the culture a little bit and project it back?

MR. STERN: I do see that, but when we first played our NBA exhibition in 2004, what I was struck by, because it was Yao and the Houston Rockets and the Sacramento Kings, were the demands that were made on Yao and his unfailing good nature.

MR. ANTHOLIS: Back in China?

MR. STERN: Back in China. I mean, we were traveling with -- people

think the Dream Team was a sensation. Yao, with the Houston Rockets, topped them all. And I think many of our reporters following us and television crews were astounded by the popularity of Yao and also the familiarity of the fans they saw with the game. Talk about the universal teenager. You could see it. You know, they were wearing their pants too low. They've got headphones on. Their hair is tinted blonde and they're shouting Yao, Yao and shaking the bus. So our traveling media was astounded by the melding of these cultures brought together by this little round ball and this very large player.

MR. ANTHOLIS: And Yao, I want to ask you about your dad because your dad played basketball before it became a professional sport. When he watches this now and he sees Chinese youth drawn to the professionals and to the professional glamour, does he reflect on how much it's changed? Do you think about that, how the huge leap from it being a national pastime to be a national craze almost?

MR. YAO: Time makes a big difference today. I should tell you that my mom played basketball, too.

MR. ANTHOLIS: Your mom played basketball, too. Right? Yeah.

MR. YAO: Both of my parents.

MR. ANTHOLIS: My daughter plays basketball now.

MR. YAO: Both my parents played in the 1970s. It's very interesting. That's the same time the ping pong relationship was established. Obviously, basketball had taken a backseat by then. But in the past, basketball is like -- it's more like tried to encourage people. I should say the same thing today. Still, the sports game can encourage people. But back then there was no money and no professional league. Guys played basketball because of the pure love of the sport and also part of it because the select draft by the country. Draft by the sports. And today, after 30-some years, the young generation has their opportunity to choose what they are going to do. And from

that they were -- I think the attitude are totally different. They are more aggressive to approach what they want in the sports and spread that passion to the rest. When you have a basketball game like you just mentioned in Shanghai at 7 o'clock in the morning, when you watch there. When I go to school at 7 o'clock in the morning, I would love to have a cup of coffee and enjoy the morning news, but I saw some of a basketball ball game on the street, like you said, it really encouraged me. You feel that this is a new day that's full of energy and you're still young -- even if I'm not. I think that kind of activity so impressed everybody who can touch it.

MR. STERN: And there's been an enormous amount of encouragement by the government which has focused upon basketball as a sport of exercise, fitness, good health, and I guess what we would call teamwork or what might be called harmony in China. And it really has been a force for the installation of backboards by the government in tiny villages of a million or more people. And so that's been -- and especially with the concerns about obesity and diabetes, basketball has taken on a little bit of a different approach. And what we're seeing increasingly is sort of a common interest/passion. And Yao is very much a focal for that because when Yao says, "I want to have an exhibition game to raise funds for the victims of the earthquake," then, you know, Steve Nash and groups of players go over there. When Yao says, "I'd like to form the NBA Yao School to deal with kids after school because there are no gymnasiums appropriately in the schools," the NBA says, "We're with you." And so Yao is sort of a one man policymaker for bringing these two countries together. People think of it as really just about fandom but it's more. I mean, we invited the Chinese national team here in 1985 and Red Auerbach and Wes Unseld worked with them. So we've always viewed basketball as something that was a little bit different than the government relations and had the ability to do some melding. And also, working on issues of common concern.

MR. ANTHOLIS: Well, it has that ability both because many of us played at whatever level of excellence or lack -- the ability for people to participate in it but also to observe it and watch it. And that's an extraordinary thing. It draws people to it because they've had their own experiences with it.

And I want to ask you with that in mind, Yao, as you now run a professional basketball team, how you think about the development of the sport. Do you feel like you're learning about basketball or do you feel like you're learning about a broader set of marketing and management and player development and other skills?

MR. YAO: When you own a basketball team it's not just a basketball game, a simple basketball game. It's not a skill anymore; it's management. It's a totally -
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MR. ANTHOLIS: You were once a Chinese basketball --

MR. STERN: Don't say it.

MR. ANTHOLIS: On that, you were once a Chinese export and now you're importing -- are you importing management skills that you learned in the United States?

MR. YAO: Well, there's some skill we can use in China, but after all, you have to understand this is two different cultures and two different countries. You cannot just copy 100 percent and just simply move there and, hey, this is the model we have to use. You have to make some adjustments.

I have to say that the management over there in China is a lot more different than here but at the very bottom, the love from the people to basketball is still the same. The structure will be a little bit different.

MR. ANTHOLIS: As David was suggesting, it does draw people and that gives you enormous, if not power, an enormous opportunity to make contributions into

society.

I'm curious to hear how you think about and pick the topics that you choose to focus on, things like education or wildlife preservation or other causes. Give us a little sense of your own priorities; how you came up with them, what got you interested in them.

MR. YAO: Kids' education, like Mr. Stern just mentioned, we launched Share the Game with Steve Nash, Carmelo Anthony, and Baron Davies. We created team play against (inaudible) in 2007 and we raised the money to set up a fund to support the kids' education. And we established a foundation at that time and also moved on into today. We built 17 schools already. And also, we are very interested about how can we help the kids grow more healthy. Right now sports is a little bit lacking in the Chinese schools because the testing, all the examinations, and also the assignments are so heavy loaded for those kids. It's a little bit lacking in sports activity for them, and we try to create some afterschool programs for them. And we believe sports, particularly team sports like basketball, would be beneficial for those kids. It's not trying to select the next basketball star or riding star or something; we are more focused on those character, personality, and life skills, like chemistry, teamwork, leadership. And beyond that You can name lots of those things.

And also, animal conservation, I think it's a very good example to tell everybody how China sees their own responsibility for the world. A little bit of a story about this is because in 2006, we have cooperation with Wow 8, the NGO organization that focuses on animal protection. We launched a program to try to tell people to stop eating shark fin soup, which creates huge marketing and also made a lot of sharks being poached in the water. Almost 70 million every year, sharks are being lost in the water. And not long after that we reduced about 50 percent of the demand from the marketing.

MR. ANTHOLIS: Do you face any resistance? Were there critics of traditional Chinese cuisine culture that said why are you coming in with new-fangled foreign ideas about --

MR. YAO: Yeah, I got some letters. I got some letters. The first letter to me was pretty shocked. That was actually the first protest letter directly to me. Many of my team got a few already but they hide on the side. It's a shock for me. And I know this is not an easy job but you have to be pretty patient on there.

MR. STERN: How great is he?

You know, one other thing. When the government of China decided that they really wanted to attempt to destigmatize HIV and AIDS and raise awareness about it, who do they turn to? Yao did a series of public service announcements with Magic Johnson. Posters, promotions. You know, we produced many of them. It was spectacular, and it had a huge impact on the number of hits on the -- I guess it was the Aaron Diamond Foundation website, you know, practically took it off the charts. So Yao is a much in demand spokesperson and he has devoted his time spectacularly.

MR. ANTHOLIS: David, you went through that here in the states. You were commissioner when Magic Johnson publicly announced that he had come down with AIDS, and you've seen that issue -- the stigmas associated with it, the destigmatizing process play out not only in the United States and around the world. Why is it that sports are the vehicle for that? Do you reflect on that in basketball?

MR. STERN: They are because they are someplace away from the self where you can have these convenient conversations. If you want to engage the world on any subject, it's so much easier to do it when there's a racist slur in an Italian soccer game or an American announces that he's HIV positive, or even in the context of a player having graduated from college, you know, a football player, and not being able to read.

It's amazing how in addition to the exercise part, in addition to the team value part about teamwork, discipline, sacrifice, you then go to the cultural part which allows people to have these conversations. Magic Johnson and his situation changed the debate on AIDS. Not in this country alone but in the world because Magic was a beloved figure and he was a sports figure. And sports figures have a completely different set of familiarity to their fans.

MR. ANTHOLIS: I want to turn over to the audience for questions in a minute, Yao, but one final question to you.

As you reflect back now on the hard times of that first year, and when you come to the United States now and see people that maybe in your first year were challenging -- there was a whole taunting relationship between not so much you taunting him but Shaquille O'Neal taunting you a bit before you played him. The initial barriers that you came up against, does that seem like a long time ago, and do these people now seem like family? Or do you still bear some scars from those days?

MR. YAO: Bear some scars?

MR. ANTHOLIS: Do you still have --

MR. YAO: It's all good memories. It's all good memories.

My first year I would say I faced a lot of challenges, the challenges are not only on court. so how you manage yourself off the court and deal with different language and also the community right there. But really --

MR. ANTHOLIS: Did it help that you blocked his first two shots in the first game you played against him?

MR. STERN: These fans are all like -- you know, let me say something. Yao, he slips over it. I mean, imagine your average 22-year-old thrown in to the situation and then you have somebody really dropped from on high in who has to get a license,

understand a new culture, change everything. All I can say is in an attempt to help him out a bit, I remember hosting him for a lunch in my office during his first year and we had a very nice discussion. And I saved the only thank you note that I ever received from a lunch for a player because it was delivered by Yao Ming. So he's pretty good.

MR. ANTHOLIS: So I want to turn it over for questions, but I want to use that as a metaphor for reflecting on the broader U.S.-China relationship when the relationship has gone through good and bad times in the last 12 years since you first came or over the course of the last years. Do you follow it? Do you pay attention to the diplomatic -- the big summits when they happen? Diplomatic low points and sparring? Does it affect you personally? How do you think about the high diplomacy as opposed to the people-to-people things that you engaged in?

MR. YAO: First of all, fortunately, during my period of time in the NBA, the China and U.S. relationship has always been good and stable. But I'd like to mention another Chinese player, Wang Zhizhi. When he just came over to the States, that was the crisis EP-3 in 2001, I think. He came through on a hard question on the first press conference. I remember he said -- I think he said -- I cannot remember exactly what he said. He said there's a different understanding between each other from country to country but I'm here to play basketball and I will show everybody how Chinese people look like through sports. And I think he said something like let's be patient on those relationships. And sometimes time will take care of everything.

MR. STERN: You know, from our perspective, when we really feel pretty good when then-Vice President Xi was visiting the United States and one of the stops he wanted to make was he wanted to meet Kobe at Lakers game. And then Vice Premier Liu came over with a delegation, including Ambassador Cui and the health minister, and her deputy minister of foreign affairs. And they met with my then-deputy, now

commissioner, Adam Silver in Chicago at a Bulls game at a time when I was having dinner in New York with the president of Tsinghua University. So we sort of take very seriously at a league level the opportunities that are presented by people who want to talk about our sport, et cetera, and the level of knowledge of the Chinese fans.

When I did my first press conference, I was 6:00 in the morning here. We hosted a dinner for the media. It was many years ago, many. And they wanted to know about the salary cap, the lockout, all kinds of mundane, intimate details, and that's when we knew that we had something special going on. And then we had Yao, which elevated us to another level.

MR. ANTHOLIS: In so many ways.

I'll take questions now from the audience starting right here. Please tell us who you are. Microphone is coming.

MR. HERALD: Scott Herald from the Rand Corporation. I'd like to first note that Yao Ming, you kind of broke a big barrier. You noted Wang Zhizhi came but these gentlemen played a role in basketball somewhat akin to breaking the color barrier, and it's quite an honor to be present and to see that happening.

Recently, we had another major breakthrough in the NBA with Jason Collins being the first gay NBA basketball, the first professional athlete in a major sport to come out.

And so, Mr. Yao, I'd like to ask your thoughts. In China, this is still a very sensitive topic, but you have attached yourself to very path breaking issues, obviously. And I wonder if you think at any point in the future in the CBA we're likely to see someone break that barrier.

And for Mr. Stern, in China there's a big issue of intellectual property rights. The major challenge, enforcing it, and the NBA has, of course, a major interest in

making sure that that issue is addressed seriously. I wonder if you could help us understand how the NBA has treated that issue. Thank you.

MR. STERN: Go first, Yao.

MR. YAO: Okay.

I think that's a very good question. As soon as you say Jason Collins and also Wang Zhizhi right there, I'm just assuming that sports, a basketball game or any sports game is just like a platform right there, a platform that you can put everything on there to measure, and measure not only by vertical and horizontal and also measure by the time. So this platform is exposed by those media right there and also can learn by the public. And let them judge and let them help us to improve this entire community.

MR. STERN: We've come a long way. I think on one of my early trips to China I saw someone walking down the street with a Bulls uniform on. And when you looked at the back of the shirt it had the San Jose Sharks from the National Hockey League. I knew it wasn't legitimate. But with the help of the government, the Customs Bureau, and with our own partner adidas, which operates 2,200 stores, there has been an increased respect for copyrights, trademarks, and a demand in consumers for authenticity, which was actually our best weapon because if you don't have product in the market, you cannot effectively fight to keep out these other things. When there's a replacement product, you are much better off. And we spend enormous sums of money to protect our rights.

MR. ANTHOLIS: Right here in the third row.

MR. HUNG: Thank you. Zhang Peng from Chinese AMC. Nǐ hǎo, Yao Ming.

I have a question for Yao. You just mentioned that you are not young but I think that you still have at least five decades to go or even six decades to go in the

future. You're still very young. I want to know, in the next decade, what is your focus, I mean, your plan? Because now you're so famous, not only in China but also in the United States. You play a very, very particular role in not only public diplomacy but also sports. Could you please tell us all your plan for maybe the next five years or one decade? Thank you.

MR. YAO: Well, I can tell you my goal for next year is try to get my master's degree. That's for the next two years. Hopefully I can succeed.

My main focus still would be sports, either on marketing, and also building relationships between area-to-area and also country-to-country. And also, philanthropy. I will focus on my own foundation, Yao Foundation, and I just have a little presentation on that and focus on children's education and also afterschool programs, that kind of thing. And I also walk with Special Olympics and Wild Aid on animal conservation. For the next decade I wish I could bring more Chinese people and also Americans to join our journey to make those achievements. Thank you.

MR. ANTHOLIS: Thank you.

Right here. The woman in the fourth row.

SPEAKER: Hi, my name is Feng Le. I'm from Shanghai and I'm working with the U.S.-China Business Council and I'm also a student from the University of North Carolina.

As a huge basketball fan, I'm impressed by Yao Ming's achievements of career and contribution to the U.S.-China bilateral relationship.

So since your retirement, we haven't seen a Chinese basketball player in the NBA as influential as you. So could you talk a little bit about the Chinese basketball players' future in the NBA? And do you have any advice for them?

MR. YAO: I can't give you the name because I follow the CBA

regulation, but there's a few -- yeah, well.

MR. STERN: It's called tampering.

MR. ANTHOLIS: Right, exactly.

MR. STERN: He's not allowed to talk about players on other teams that he doesn't own. Even in the CBA.

MR. YAO: There are a few guys who are pretty talented who may have their chance to make it to the NBA, but it's too much unknown there. And either the CBA or NBA are very challenging today. They have to make it step by step. So take your time. I think you will see some surprises in a few years.

MR. STERN: And I think that Jeremy Lin, who is of Chinese background ethnicity, it was pretty interesting that someone who is 6'3" would made it because I think it's more encouraging of youth to participate. The emphasis on the national team starts with the age old slogan you can't teach size. And so the players who have come into the NBA, Mengke Bateer was 7'2", Wang Zhizhi was 6'6", I think.

MR. YAO: Seven foot.

MR. STERN: Seven foot. Was he 7'2"? Su Wei came in for five minutes. Okay. Yi Jianlian.

MR. YAO: Yeah, 6'9", 6'10".

MR. STERN: 6'9", 6'10". There was a trend there, and we need to see a different grouping of great players because they have to be there. Don't you agree?

MR. YAO: I have to agree.

MR. ANTHOLIS: So right -- this gentleman here, right here, fourth row, fifth row.

MR. WARREN: Rob Warren.

The subject today is public diplomacy. We have another public

diplomacy event in China that has been getting a lot of attention, and that is First Lady Michelle Obama, who was graciously greeted for a week traveling throughout. Got a great deal of publicity. Would you care to comment on that public diplomacy? Thank you.

MR. YAO: First of all, I know it's late, but I would like to say welcome to the First Lady visiting China. (Laughter) I hope she and her daughter had a pleasant journey over there for a few days. And I follow their news in the paper, on the Internet almost every day. It looks like they had a good time over there.

I think this is -- I'm not sure I would call this a relationship or this is like policy. I think this is more like a lifestyle. This is more like a lifestyle. You know, when the presidents from both sides meet each other, and because of a family issue that the First Lady cannot attend there, and a couple months after that the First Lady visited China again and the First Lady from the China side, they had a very nice meeting together. It's almost like walking to a neighbor's house saying "How are you doing today? I made a pie I'd like to bring to you." It's almost like that.

It reminds me of my first house move in Houston. As soon as I moved into there, my neighborhood comes to my house. "Hey, welcome to the neighborhood. Here's some --" -- I know it's a tradition here -- "Here's a pie." I remember she brought a pie to my house. It was very warm. And really put those two countries' people close together.

MR. ANTHOLIS: When you've taken the other NBA players for exhibition games in China, have some of those players come back? I mean, that's sort of the same kind of thing. Like, you know, when you've gone with the Rockets to China, the other Rocket players, do they go back to China to visit from time to time? Do they see that as a vacation place?

MR. YAO: I know Tracy McGrady is in China right now. Yeah. Visiting and doing something over there. I know there's other players who have played in China in the CBA a few times.

MR. STERN: Forty NBA players and retired players visited China this summer.

MR. ANTHOLIS: The woman in the white sweater here in the back middle.

MS. THRILLHILL: Hi, my name is Christina Thrillhill from AEI. And when I first went to China, I was so surprised to learn that students there didn't really have access to physical education, you know, sports. I mean, when I was growing up I played all kinds of sports in school. It was an everyday thing. And I learned later, you know, often children are separated in China into a different school if they're going to do sports, and that's their main focus. And you mentioned a little bit about what you've been doing for afterschool programs. And I'm wondering if there's something more that can be done in terms of changing the way the schools work to include that because I feel sports are such a thing in terms of character building. Like, you mentioned that would be so beneficial not just as an afterschool thing or an extra thing. So if you could speak on that, that would be nice. Thanks.

MR. YAO: Yeah. Thanks for the question.

First of all, I don't know if you speak Chinese. Sports in Chinese would translate to Ti Yu as two characters. But Ti Yu as exactly translated into English should be physical education. Right? So actually, physical is a strategy but the goal is to educate. Is to educate.

So, like you said, I totally agree. That is my idea. That is my goal to change the situation in China, particularly in the school. Like you said that part of the

students, including me, being separated from the school into a sports academy to focus on development of a sports skill. So in one day maybe one of us, like me, I can play in the national team in the Olympics or something, but also education is so important for both sides to help us to understand the sports, why we play these games. And the sports game teaches us how to obey the rules and to compete, to work together. And finally, a leader will be created among the people.

And on the other side for the school part, as I just mentioned, all those kids from elementary all the way to college, they are very heavy loaded by those exams and also the scientists' studies. They don't have enough time and also they don't have extra energy to spend on the court to play. I think to change the situation, we have to increase the public awareness to understand how that is hurting us in the next 20 years. And not necessarily the next 20 years. We already feel the flaws of that right now.

In the last month when there is -- you know what I'm saying -- not only one person, not just a few persons mentioned that we have to reestablish the sports system in the school and also reconsider how we train those kids in conditioning and their life. I mean, this is very positive. And I know that President Xi Jinping is a big fan of football, and I think that will help, too.

MR. STERN: You just extracted or elicited from Yao the brief for why the NBA Yao School is starting small in terms of a retrofit. I'm thinking of a nation of Tiger Moms. We're trying to get some physical activity. You know, a little respect for sports in the process. And Yao is a wonderful spokesperson for that.

MR. ANTHOLIS: Toward the back, the gentleman with the piece of paper in his hand.

SPEAKER: My name is Cheng Weiyang, a graduate student from Johns Hopkins. My question is for both Yao Ming and Mr. Stern.

I am Chinese and also a big basketball fan, but I wanted to know your opinions about the situation that there are no Chinese athletes in the NBA right now.

MR. STERN: My opinion about it?

SPEAKER: Yes.

MR. STERN: Well --

SPEAKER: Your comments on that.

MR. YAO: What are your comments about it?

MR. STERN: You're the man?

MR. YAO: There always -- I think there will always be a wave of players who will come to China. I think the first wave started from Wang Zhizhi's draft in 1999 and Menk Batere after that. And me is the third player to come to the states. And Yi Jianlian and Sun Yue. And right now, yes, like you said, there's a gap. I think there's a gap between the first wave to the second. Like I just answered that lady's question, I've seen a few young talents in China. Just be patient and I think the NBA has a check waiting already.

MR. STERN: That's right.

In answering the question I say I don't believe that Yao Ming is the last great Chinese player. He's the first great Chinese player, and the rest are coming.

MR. ANTHOLIS: I think we have time for maybe one more question. So the gentleman in the back with like a hoodie kind of thing here. Yeah, you.

MR. SUMMER: Hi, Will Summer. I just have a question for Mr. Stern. How can you compare Yao's impact on the NBA and it becoming a global sport versus owner Mikhail Prokhorov of the Brooklyn Nets and his impact, and how you deal with when two countries, like Russia and the U.S., are currently at an international crisis?

MR. STERN: Well, I would say that the whole issue of international

ownership of teams is not a big deal. There are something like a dozen non-English owners of premier league teams, which is perhaps the most successful sport in the world, together with the NFL. And the owners of the Seattle baseball team, it's been in Japanese hands for a long time. So the Prokhorov ownership was just another iteration of that.

Stay tuned for the rest. There are going to be always changes in relationships between governments and the line, but it may be that sports provides the basis for leveling things out a bit and being able to engage in certain conversations. I think that to this point Mikhail Prokhorov's ownership of the Brooklyn Nets has been a positive thing and something that we solicited and tried to nurture. And we hope that it will remain that way.

MR. ANTHOLIS: Well, I really want to thank our two guests. As you can tell from their answers, their experiences, these really are giants in the world, not just of sport but in broad cross-cultural understanding. And I think we owe them both not just a big round of applause but our thanks and the hope that you will come back to Brookings both.

(Applause)

MR. ANTHOLIS: So I think if I remember correctly, we take a break and then come back at 3:30 for the panel of Young Rising Scholars, and we hope that they rise to the heights of these two guests.

(Break)

MR. YANG RUI: -- host this session of the meaningful panel discussion about U.S.-China relationship to commemorate the 35th anniversary of the most important bilateral relationship in the world. I'm Yang Rui, host of Dialogue on CCTV News, the English channel of China Central Television.

In fact, the history of our relationship goes back to the mid-19th century when the U.S. missionaries first established their presence in China, and Americans demanded open-door policy of the Qing Dynasty and equal access to the Chinese market.

The first generation of Chinese Return the Students went to the U.S. one century and a half ago thanks to the humiliating indemnity at the same time. I'm sorry. But the process of China's modernization started from our devastating defeats at almost the same time, and our opening up could even go back to the Tang Dynasty when policies were very liberal for public opinions.

Today, China has become the fastest growing overseas market of the U.S., and we are the top creditor of the U.S. When we look at the common stakes and the Commonwealth, we got to examine the growing interdependence in the multi-centered world. We need to look at whether a rising power would necessarily challenge and antagonize the U.S. world leadership which shapes the current international economic and political order. Do we have a collective future based on the norms of a new model of major power relationship?

To address these and other issues, I'm pleased to be joined in this panel discussion by Melanie Hart from the Center of American Progress. Welcome.

Mr. Peter Hays Gries from the University of Oklahoma. Thank you for coming.

MR. GRIES: Thank you.

MR. YANG RUI: I know your Mandarin is better than my English.

MR. GRIES: No, I don't deserve that praise

MR. YANG RUI: And Xin Qiang from Fudan University, Shanghai.

MR. XIN QIANG: Thank you.

MR. YANG RUI: And Qu Fengjie from the National Development Reform Commission NDRC.

My very first question actually is about why millions from the West repeat the same question even though they are concerned. A Communist regime could run a successful economy because according to the classical theory in political science of the West, only a combination of a liberal democracy with liberal market economy could enable the success of such a major economy like China. How could Communist regime get this down?

My floor, first of all, goes to the lady at the other end of the spectrum here.

MS. QU FENGJIE: I have prepared a remark about five challenges to U.S. China economic relations but now a challenge comes to me. So this is a very big challenge for me to answer this question in just maybe a few minutes, a big problem for me, but I will try my best to answer.

MR. YANG RUI: If you can't speak English, very efficiently I can be your translator. You can speak in mother tongue.

MS. QU FENGJIE: I will try my best. For a long time I have no speaking English but that's okay. I want to speak English to impress what I want to say.

About China's economic mode, I think Mr. Yang is (inaudible). In my opinion, I think there are different opinions about how to define China's mode, China's economic mode. I want to say I think thanks to globalizations is the most important factor to push the Chinese economy faster, *kuaisuzhengzhang*.. Sorry. For example, China has become the largest provider of the U.S. imports and the second largest export market from the U.S. Meanwhile, the U.S. has become China's third largest export market and the second largest source of exports. So I think China needs and export-led

growth pattern. And I think the U.S. is just contrary from China's mode. I want to define its (inaudible) conceptions mode, as someone maybe don't agree with me but I think [inaudible] conceptions mode is the most important character of the U.S. economy.

Another idea about China's economy is after 30 years, over the past 30 years the United States has become the largest debtor nation, and at the same time as China being the largest U.S. creditor. So China and the U.S. accomplished the growth patterns for each other. I think so.

MR. YANG RUI: Thank you very much. You are not answering my question about why a Communist regime could run such a successful economy, although at the cost of the environmental conditions.

Right. Our prosperity in the first three decades largely depended on labor intensive manufacturing, very cheap extraction of the raw materials, but I'd like to have a prospective from the Americans as to whether you are surprised, if not shocked, as to why a one-party political system could pull the technocrats together, could fully mobilize our entrepreneurship, and could outbid some of the major economies in the world. It is a big story, but it seems China is not able to tell the story.

Am I correct? Or do you think we are a little bit too subject to self-inflation?

MS. HART: Well, I think the first thing we should do is separate Communist regime from single-party regime. We heard today from Professor Jia Qingguo that Mao had previously considered calling the Chinese Communist Party something other than Communist Party, just because that is such a loaded term. And I think that what the Communist Party was trying to do was trying to do what was best for China economically at the time as they saw it, and that has changed over the years. I think one thing that the Communist Party has proven that they can do very well is change

and innovate to fit current times. And when what China most needed on the economic front was agrarian reform, that's what they focused on. When what China most needed was opening up the market, that's what they did. And now we're hitting the point in time where the big question is whether the Chinese Communist Party can do what they need to do next. What Xi Jinping and Li Keqiang have promised to do, and taken on as their big job for their term is to actually shift towards a more law-based, more decentralized regulatory system economy that can not only provide big exports for the rest of the world but also increase domestic consumption, bring the Chinese citizens up that last rung on living standards, and support a real innovation economy. I think they've been able to make it to this point thus far because they haven't been stuck on the old Communist model. They've been willing to innovate up to the very edge of what they think they can do while maintaining that single-party system. And so that's why I think you see so many young people fascinated with China today because it's a day-by-day change and a day by day struggle. And we are, all of us, literally on the edge of our seats waiting to see if they'll actually succeed again for the next round.

MR. YANG RUI: These days, people are looking at the mode of Chinese development, why we have been able to survive the first few years of a shock instead of adopting the shock therapy of the former or late Russian president Boris Yeltsin.

I'd like to give the floor to my Chinese colleague here about his comments.

MR. XIN QIANG: I would like to provide maybe a different perspective, mainly from my expertise in foreign affairs dimensions for why I'm optimistic about the future devilmint of China's economy and why it has achieved such an economic boom in the past few decades.

We know that a government must provide good governance, and one of

the features of the good governance is efficiency. I think the Chinese government can provide a very efficient and very good implementation of the decision which has been made by the Central Government, and I think it may be easier I should say than the United States. And for example, when Deng Xiaoping decided that is good to open up to the world, there was a lot of opposition in China but Deng decided, then we opened up. And then we see what we have achieved.

And also in the past few decades, China has been helped by some foreign trade negotiations, including FTA. We know how difficult it is for the United States to negotiate and bargain and reach the different kinds of FTA, including even the MFN issues between China and the U.S. and NAFTA, but for China, when we send less to bargain and we can guarantee, once the bargain finished it will be passed and taken into effect. But look at the United States. We know the president must get the trade promotion authorization from Congress and let's keep in mind the Senate especially has the great powerful weapon of filibuster.

So we can see that from this perspective, China's government can really provide a very strong dynamic for the past decades which have proved very successful exportation-oriented economic development. That's my explanation.

MR. YANG RUI: We'll fully unfold your arguments as our discussion continues.

We have a lot to thank our American friends and American government not only for establishing the diplomatic relationship back in 1979 during the Carter administration -- by the way, President Carter's birthday happens to be October 1st. That's our National Day. But we also thank President Bill Clinton for separating the issue of human rights from MFN. And that's very helpful, other than the landmark entry into the WTO in 2001 that helped China enjoy the frog leap. By the way, in 2001, when we

entered into the WTO was the year when number one took place. So Americans complain that you guys in China took full advantage of our fight in the forefront pushing back terrorism. You enjoyed very rapid economic development. That's the Chinese grievances.

However, let me go back to the sensitive issue of ideology. I would like to go back to my very first question.

President Bush, Sr., said to Chen Chi Chen, "Look, if you can change the name of your ruling party, then the image of China would be a lot better." I wonder if that's still the way Americans perceive the image of China.

Peter?

MR. GRIES: Yes. I think that that's absolutely right. For most Americans, probably one of the first things that comes to mind when asked about China is communism. And as a country that is sort of a successor to the enlightenment tradition in Europe, big L liberalism, defense of liberty and freedom being central to our understanding of who we are; communism is scary. And that's precisely why people like Yao Ming are so important because they create an image for China that is not about the Chinese government, which is very fearful for any freedom-loving American just because of the communism.

But Yao allows us to think about the Chinese people, and the American people actually have very positive image of the Chinese people, and I think one of the reasons for that is people like Yao Ming.

MR. YANG RUI: And people also love RMB; right? The Chinese yuan. Other than the big basketball, that gets the ball rolling, the globe rolling, unlike the ping pong diplomacy, it's *xiaoqiutuidongdaiqi*. This time it's the other way around with the big basketball epitomizing how dramatic changes have been since the opening up.

Now, I'd like to invite my Chinese friend about how you look at internationalization of RMB. We were accused of manipulating the exchange regime, and we were accused of outsourcing American jobs. Do you think this is one of the major hurdles that prevent the U.S. from adopting a free trade? And politicians, to my knowledge, tend to treat protectionism in times of economic crisis. Is that true?

MS. QU FENGJIE: Sorry, I'm going to use Chinese to answer this question, since this is a very specialized topic and I think perhaps my English is not up to the task. You talk about two related and very important issues, one is the internationalization of the RMB, the other is the development of trade. I'm very familiar with the issue of the internationalization of the RMB, since I've been researching this continually for many years. This issue has attracted the attention of many especially in East Asia, and there are lots of hopes placed on the RMB, however, from my research perspective, we have done around four years of estimation reports on the level of RMB internationalization, and that internationalization is still very limited.

MR. YANG RUI: Excuse me. Let me do a very brief translation about the essence of what you're saying because some of the listeners here are left puzzled.

What she says basically is the various limited margin for the internationalization of RMB according to her years of research in this area.

Go ahead.

MS. QU FENGJIE: I think, to put it in the simplest terms, that the internationalization of the RMB has met many obstacles is because even though China is has become the world's largest trading country along with the US, it is still currently undergoing industry transformation. We don't have our own brands, and we lack competitiveness. I think China is still primarily involved in the processing trade, and this structure, its cash flow method...we now have a huge trade surplus, and if the next step

China takes is first towards regionalization, becoming the largest importing nation instead of the largest exporting nation, then this actually in terms of trade.

MR. YANG RUI: Wait a minute. My memory is poor.

Peter, if you can help.

MR. GRIES: I didn't hear clearly.

MR. XIN QIANG: Maybe I can. Partially. Partially. Very brief.

Dr. Qu said that now China needs to regionalize first their RMB and must turn China from the biggest export state into one of the biggest import states.

MS. QU FENGJIE: Yes, good, you can be my translator, excellent.

MR. YANG RUI: Right. China is going through an economic transformation. We should lay more emphasis on domestic consumption instead of turning to pollution of the environment.

Well, I think enough has been said about the internationalization of RMB because we have many other issues across the broad spectrum concerning the bilateral relationship.

Sorry, because this topic has opened up we will only have one speaker.

There will be a single voice about RMB issue.

Basically, there has been a trust deficit. It's not just about the trade deficit. We have become the biggest trader according to this Chinese lady, but trust deficit is actually something that has undermined healthy development of the most important bilateral relationship.

What are the fundamental reasons do you think behind the strategic mistrust between our two countries?

Peter?

MR. GRIES: I think from the American perspective it's largely what we

discussed earlier, which is the fear of communism and the fear of the loss of liberty that I think drives American perceptions of communist countries. On the Chinese side, I think a major cause of distrust is a different ideology, and that's a nationalist ideology that is anti-imperialist, that is bound up in a narrative of the so-called century of humiliation, the *bainianguochi*, which depicts China as constantly humiliated by Western and Japanese powers. And so I think that leads many Chinese to view the United States, Japan, other Western countries through a prism that is a very defensive and sensitive one, and that can contribute to mistrust, just like American liberalism can lead to distrust of Communist or Red China.

MR. YANG RUI: This morning in my presentation I said two-thirds of American still live in the shadow of the last century. Only another one-third could cast a new look at why China rises up -- why China rises so quickly.

I'd like to have your comments on whether the label of ideology or ideological should be employed in examining the new realities in China because I saw my friend Kenneth Lieberthal wave his hat when Peter delivered his perspective on why -

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MR. GRIES: He was my teacher.

MR. YANG RUI: Then you are his poor student I'm afraid.

MS. HART: I think we have a really interesting situation between the U.S. and China because we've never had two countries that are so dependent on one another and yet have so very different political systems. And for many decades, American foreign policy has been basically -- in many ways we've been trying to wait China out. Many of our assumptions are that China is going to democratize eventually, and so we should basically have a short-term situation for the current regime and be looking towards the future when they're going to be just like us. And now we've hit the

point where we realize they are very close to us in economic might these days, becoming very powerful, and yet, not just like us. So we're going to have to have a new way of dealing with that.

And from the Chinese perspective, you know, Beijing is rather smart and clever and they have noticed that the U.S. has these assumptions that eventually they will all go away and we'll be dealing with someone new. And that dynamic doesn't really breed long-term trust or set a good stage for long-term cooperation. I think we are reaching a brand new stage in U.S.-China relations where particularly with the current generation of leaders, Wang Yang, Xi Jinping, they have a new rapport with their American counterparts that I've -- although I'm young and haven't seen much, it's not something that I've seen before. I think it's different than what we had in the past. I was very lucky to be in a meeting between my boss and Wang Yang where Wang Yang was sort of teasing us about American politics and poking fun a little bit, and it really felt like we were dealing with someone back in Washington. You know, it didn't feel like Wang Yang was so different than someone across the political aisle here in town. I think we're finally reaching the point where we have a great rapport, for example, between Jack Lu and Wang Yang, between a lot of our American leaders and their Chinese counterparts, and we're moving past that old structure where it seemed like we were across a very big ocean. Now I get the feeling that our leaders here in D.C. feel like the current generation in particular, these are really people we can do business with. We don't have to wait for China to maybe change, maybe not change. There are a lot of things that we can do under the current system. Things are working pretty well, and so I personally am really optimistic about the fact that ideology really isn't that big of a deal anymore for our grassroots level cooperation. Of course, there are issues, principles that we must continue to deal with, but we can do business in a way today that we might not have

been able to do before.

MR. YANG RUI: I'm impressed by the diversity of opinions across the spectrum because two Americans are sitting next to me that have different views about how China should be examined in terms of its international image.

Now, I'd like to ask a very simple question, Xin Qiang, from Fudan University. Last year, President Xi Jinping was invited to have an informal summit meeting in Sunnylands, California without ties. Okay? They took a stroll. They walked freely. They chatted casually. Now, unlike the gun salute of a very ceremonial reception in the south lawn of the White House as what the Americans did before, how do you read into the symbol of it being informal so that, like the First Lady's people-to-people diplomacy? This time around in Beijing, Americans tried very hard and genuinely sincerely very hard to let people from both sides have a new feeling towards this new model of major power relationship.

MR. XIN QIANG: I think first, for the Sunnylands Summit, it reflects sort of the different styles of the leaders of China, and Xi, I think, is different from Hu. And also, it reflects the confidence of China in dealing with the United States. And third, I think it also reflects that the two sides, President Obama and President Xi, they think that maybe the most important thing for the two leaders is to discuss some substantial things instead of paying too much attention to those symbolic and ceremonial issues.

Why the two sides they decided to spend such a long time to chat, to discuss, and to establish the mutual trust between themselves? Because one of the reasons is the mutual mistrust between the two countries. I disagree with Peter. I don't think that the so-called trust defense is rooted in the ideology conflict, but I think it's rooted in the interest conflict, strategic interest conflict.

Take China, for example. If China is a country who will support the

independence of Alaska or Hawaii and sell weapons to those pro-independence guys on the islands and in Alaska, and if China is a country who established missiles or missile defense systems in Cuba and has alliances with Canada and Mexico, will the United States dream to have the mutual trust with China? It's impossible.

MR. GRIES: Can I respond?

MR. YANG RUI: Yes, go ahead, Peter.

MR. GRIES: I think you pretty much made my case for me because say take the example of Hawaii, or I'm from Oklahoma, so Texas. Say China decided to take Texas from the United States. Most Okies don't have too many commercial interests, material interests in Texas, and yet all Oklahomans and all Americans would reject that, would be angry and would fight over it. And it's not because of material interests; it's because of the symbolic politics. It's because of the self-esteem. I actually, I don't think we're disagreeing with one another in the sense that at one level you asked about trust and distrust, and those are the things that are below the surface. So regular day-to-day working relationships are very smooth and improving. I completely agree with your analysis. It's when you have issues that push beneath the surface that you see that there's a lack of mutual trust which undermines stability of the relationship in times of crisis. If we care about U.S.-China relations, we need to be prepared for the next Belgrade bombing, the next spy plane collision. If we allow the distrust to build up below the surface, then we could have serious problems the next time that kind of thing happens.

MR. YANG RUI: Thank you very much.

I would like to open the floor for the audience here for the Q&A. You are encouraged to ask questions.

All right. That gentleman. The lady who raised her hand, who was the

first to raise her -- yes, go ahead.

MS. NGUYEN: Thank you, Mr. Yang Rui. And thank you, the panelists, for talking about the U.S.-China relationship in the context of the international, the global context.

My name is Genie Nguyen from Voice of Vietnamese Americans. I would like to bring in the picture, regional and global community, and of that we have Vietnam, ASEAN, Japan, and South Korea and North Korea, and the whole Asia-Pacific, everyone. I am very interested in seeing the U.S. and China relationship prosper and develop into one alignment like Melanie Hart has said, democracy. And I believe that 1.3 billion Chinese people are looking forward to that, too.

Dr. Cheng Li has measured many times. He is hoping to see China turn itself into a democratic country, and that has to do with the rule of law. I believe Yang Xiaoming talked about it.

When we talk about global context, we want everybody to observe the rule of law, and I think that this just came in the fact that experience for the last two decades has shown that China had no ability to observe the rule of law in many aspects, including the IPR, the WTO, the manipulation of currency, no reciprocity, the protection of its own market, and many other problems. That's the difference between communism and democracy.

MR. YANG RUI: Thank you very much.

MS. NGUYEN: So I'm asking you, how --

MR. YANG RUI: Which of us? Who?

MS. NGUYEN: All of you. -- how to move forward so that China can observe the rule of law, so we can develop a better trust and we can have a more stable and peaceful regional and global development, especially in the southeast China Sea

and the East China Sea.

MR. YANG RUI: Ma'am, this is a lot of questions.

MS. NGUYEN: Thank you. Just one. The rule of law.

MR. YANG RUI: Thank you. Whether China will become a democracy.

That reminds me of a book that Francis Fukuyama wrote with the end of the Cold War, the Last Man, and the End of History. Basically, what he says in the book is that liberal democracy prevails with the collapse of the former Soviet Union. But what we saw today was, you know, so many political chaos in young democracies, like Thailand, Turkey, Ukraine, Egypt, and the sovereign debt crisis that swept amiss of southern Europe, devastating financial meltdown in North America. And if liberal democracy combines -- joins hands with the labor market economy, that could turn the world into endless stories of miracles than how can you explain the magical appeal of democracy for improving the livelihoods of ordinary folks instead of talking smart about democracy.

Peter?

MR. GRIES: Yeah. I would come to Fukuyama's defense. I don't think he ever claimed that democratization was easy. I don't think he ever claimed that all of a sudden the entire world would be democratic. I think he simply claimed that there are no ideological challengers to the liberal capitalist system after the end of the Cold War. Fascism had failed, and he had argued that communism had failed. And frankly, I think, you know, China is a very large country. It is communist in name as you pointed out, but I certainly teach my students that China is not communist in any other sense other than in name; that it is a one-party dictatorship. People do not believe in communism. So in that sense, until there is an alternative, perhaps a Beijing model of one-party dictatorship that has a widespread popular appeal, until that's the case, I think Fukuyama is still right.

MR. YANG RUI: This man believes what China does is a practice of

communism.

MR. GRIES: No. No, I just said it's not communist.

MR. YANG RUI: It's not communist? I got the impression --

MR. GRIES: It's name only.

MR. YANG RUI: Well. Your neighbor.

MR. XIN QIANG: For the lady here who raised the issue of rule of law, I think for a government, the first thing the government should do is to provide better and better living conditions for the people, especially for developing countries. China's situation is much, much more different from the United States and some European countries. The first thing, and the first concern of ordinary people is that today we can have a stable life and tomorrow we can make more money to have a better life. For that rule of law is mainly an instrument, a tool for that purpose.

Mr. Yang Rui just mentioned we admit that democracy runs rather good. And, of course, we all have a lot of problems, I don't need to mention, in the United States. We can see it's a good example, but there are a lot of bad examples in the world. And the people who are living in those so-called democratic countries, and so-called rule of law, the lives of the ordinary people are poor and no one wants to live there, including United States citizens and Chinese citizens. So we must take China as a whole and take the history, the current situation into consideration when we try to push China to move to whatever direction. But the only standard to judge what is good for the people; I think China people maybe have a different will or opinion from Americans.

MR. YANG RUI: Other questions, please.

Yes, this gentleman. Yeah, with the glasses.

SPEAKER: My name is Jin Guanghong, I'm a (inaudible) lawyer from China. I also watch Yang Rui's program on CCTV. Today's face-to-face I'm very glad,

thank you.

For the gentleman from Fudan University, a question. Because I know the American core values are liberty, equality, they advocate human rights. What's the core value of our communism and the Chinese government. Yeah, that's my question.

MR. XIN QIANG: Thank you for your question.

I think human rights, freedom, liberty, and also democracy. All of them are the aims of if you look at the documents of Karl Marx, including some of the articles published by China's government, those are the aims. But maybe first we have some different definitions about that. And second, the two countries, we are in two different development stages. Now, I don't mean democracy or liberty, no matter how you define it, are bad things. We are all looking forward to that and we hope someday it will be fulfilled in China. But today, currently, the most top concern or the biggest concern for us is to maintain the stability of the society and the country and to achieve economic development to drag millions or hundreds of millions of people out of poverty, pure poverty. And that's what we are looking for today. In the future, I think the United States and the Chinese people, we share the same values. Thank you.

MR. YANG RUI: Right. Yes, please.

SPEAKER: I have a question regarding efficient policy. According to Professor -- sorry, Xin Qiang, I do agree with you that policy in China is pretty efficient from the top-down policy. However, we can actually say that it had left dramatically negative impact on our society and environment. So I'm wondering what kind of policy we can consider as good policy in the future? How shall we evaluate our policy? It's not only for China but also for the United States. How shall we balance the efficiency and the quality of the society? Thank you.

MR. YANG RUI: Okay, thank you.

MR. XIN QIANG: Actually, my colleagues belong to the same team for this conference. We complained a lot when we take the bus from our hotel to Brookings about the bad weather, the pollution in Beijing and Shanghai. Some of my friends even buy something from the United States to try to clean the air and something like that. It's true, we admit, China has a lot of problems, and we are facing a lot of difficulties that we need to address. But for such a big country, billions of people, we are trying to catch up with those developed countries. And you cannot dream or push China to come up with all the standards that developed countries are enjoying today. And we will, I think as a government, will face and deal with those, including pollution and corruption issues. But I am maybe a little bit more confident than some of my peers, the Chinese, or maybe American friends. That is, I'm more optimistic about the prospect of the government. When the government decides to do something in China, it will, I think, provide bigger opportunity or possibility for China to fulfill something the central government has decided to do than some other countries.

MR. YANG RUI: Thank you. Just a few more points to add to what Xin Qiang says about the sustainable policy.

First of all, we need to restructure the economy by turning to domestic demand. Secondly, more government power should be delegated to NGOs and let the market play a decisive role in shaping the interactions between the consumers and perhaps the demand side. Also, the social security program would help close the income gap between rich and poor, between the prosperous coastal areas and the developed hinterland of China. You name a lot of policy options on the table for the new generation of the Chinese leaders when you look at the issue of sustainability. So that's something that I would like to add, other than, I mean, other issues like transparency of a defense budget, that's something I'm looking forward to you guys to raise so that we can raise --

this gentleman in the middle.

SPEAKER: John Zhu with Legal Daily

I have a question for the two American scholars. I should say young scholars. As we know, Napoleon once portrayed China as a sleeping lion, but two days back Chinese President Xi said in France that now China is peaceful and civilized, waking up a lion. So I just wonder what kind of image of rising China to you will China be such kind of lions as President Xi said or a kind of dragon that you can't see its tail or just a simple kung fu panda or something like that. Thank you.

MS. HART: I think China needs to tell us what kind of rising country it's going to be. The U.S. is very accustomed to having everyone else in the world be very nervous every time we take an action and to having to be very transparent and to have to explain our intentions and explain what we're doing very clearly so that we can take actions without creating negative repercussions that we may not want. And so as China is rising up and becoming no longer a sleeping lion but an awake one or whatever you want to call it, China is going to have to learn that with great power comes great responsibility. When the lion is next to you and he's awake, you're going to be very nervous unless you're quite sure that he's friendly, and it's going to take a lot of work on the Chinese side to convey to other countries what its intentions are, to convey to, for example, the countries involved in issues in the South China Sea. What does China mean by nine-dash line? Because when you have a very powerful military and you're not really clear about what some of your border documents indicate, other countries are going to be very nervous and they might react in ways that are not beneficial for anyone. So I think we're all waiting for China to make very clear by its actions what kind of country China is going to be as it becomes a major power. And I certainly hope that it will be a very responsible one. The U.S. tries to do a good job at being a responsible power that

conveys its intentions clearly. It's easier for us since we're a democracy and our fights are pretty public. It's going to be harder for China because of the nature of China's political system, but I really hope that the leaders in Beijing can be really innovative in solving that challenge.

MR. GRIES: I think I'd like to return to where Yang Rui start us off with the question of economic and political development of China and the difficulties Americans have had understanding the Chinese model of economic development because I actually think this is related to the question of perceptions. I think you're right that Americans assume that liberties cohere; that if you have economic reform, you must have democratic reform. And this is a big reason, for example, why Americans were so shocked by the events of 1989, and you had this move from panda to dragon. And you see this constantly in the United States. And this is a problem. China is neither a panda nor a dragon, and yet we have this tendency to swing wildly back and forth because China doesn't fit our mental model. It's had economic reform but not political reform, and we have a hard time squaring that. So the United States needs to do a better job of sort of seeing China for what it is, which is neither panda nor dragon, but just another animal out there like we are.

On China's side, and this applies to America as well, and this is related to a comment that Li Cheng made this morning, the United States and China, as the two biggest powers today, our citizens tend to take on a certain kind of narcissism. So I guess I would also encourage us not to constantly be asking what do they think of us. So questions like this can actually be a little bit dangerous. Chinese shouldn't care too much whether America thinks China is a panda or a dragon. Chinese should just be confident that they are China, and I think that would help a lot of things, just like Americans should not be overly concerned about what other people think of America.

MR. YANG RUI: Very quickly, my question goes to some of you. You take the floor freely.

It seems the U.S. has been enslaved by the legacy of the Cold War. If you look at the lingering impact of the five military alliances with Japan, South Korea, Australia, the Philippines, and you are held hostage by a third party if you look at the bilateral relationship between the PRC and the U.S. Let's look at Diaoyudao or Senkaku in Japanese. Now, it seems the rise of the right wing in Japanese politics has scared policymakers on both sides across the aisle -- the U.S. and China. Because if they want to develop their strategic deterrence by using plutonium and by lifting the cork in the bottle, getting rid of the U.S.-Japan Security Accord, then what will the picture be like? Are you concerned with this sort of security scenario?

Who will be the first to take my question?

MR. GRIES: Well, I'm very concerned about the Diaoyu Islands issue. I think the most likely scenario leading to a future U.S.-China conflict is not a direct conflict of material interests actually. I think if there are trade issues, security issues, the United States and China are likely to find positive sum outcomes. The real danger is getting sucked into a conflict between China and Japan or China and Taiwan. And so as Americans, we should care very much about the Diaoyu Islands and the Taiwan issues.

MR. YANG RUI: And what about the issue of the comfort women? That has a lot to do with your close ally in Northeast Asia-South Korea. President Park Geun-hye feels very unhappy about the Japanese reluctance to accept the issue of comfort women as something true in the Second World War as part of the wartime atrocities of the Japanese aggressors. What do you think of this issue as a woman and as a scholar of international studies?

MS. HART: I think if you compare the recovery in Europe in the

aftermath of World War II versus the recovery and lingering tensions in Asia, we can see very clearly that whenever we are open and honest about what happened in history and make the apologies that need to be made to victimized parties, then both sides can move forward. But when we try to hide or suppress information about what many people know to be true that happened during World War II, those resentments just linger and fester and can resurface again and again. And based on the comparison of the great strides that the European Union has made versus the lingering tensions over some of these issues in Asia, in my personal opinion, I think the only way really forward is for there to be a much more straightforward acknowledgement that there were comfort women in World War II and it's something that should be apologized for and that they should be honored as victims of World War II, just as soldiers were fighting on the battlefield. And that openness is going to be very crucial for moving towards a new, more balanced security arrangement in Asia in the future.

MR. YANG RUI: Xin Qiang?

MR. XIN QIANG: For the new cycle of the tensions in East and South China Sea, I think maybe the Chinese have different perceptions for that, and because we know that the Chinese side always been blamed by the United States and its allies. The Diaoyu Islands, for example. Without the national addition of the (inaudible) of the Diaoyu Islands, we will not have the tension. For decades, China has proposed to shelve the disputes and to wait for the next generation or maybe the next and the next generation to resolve it.

But look at what Japan is doing after the nationalization of the Diaoyu Islands, and what Premier Abe has said, pay homage to the Yasukuni shrine, to publicly to hail long live (inaudible), the emperor, and some politicians, the sex slaves are necessary in wartime and refuse or even try to revise the (inaudible) statements about

the sex slaves and so forth. That makes China very angry and also very suspicious about the real intention of Japan. And for the South China Sea, we can see Melanie just mentioned that the nine-dash line has been adopted in 1947 and I think it's about 35 years before the passage of the UNCLOS. And also for the Philippines who have raised the lawsuit against China about the nine-dash line. Look back into history. In 1898, the United States and Spain signed the Paris Treaty, and two years later, 1900, the U.S. and Spain signed the Washington Treaty. And in 1951, the U.S. and Philippines signed a Military Alliance Treaty. And two years later, in 1953, the passage of the Philippines Constitution. All of those most important documents, legal documents, surprisingly, Nansha Islands had never been included as a territory of the Philippines. But after the passage of the UNCLOS and the different sides realized there are some very rich resources of oil or gas, then the disputes become increased. Even though China has a much bigger power, but we haven't taken advantage of our economic and military muscle to push too much, but the new tension concerning Scarborough Shoal is because as President Qu this morning mentioned is because when there are dozens of fisher boats from China fishing near the Scarborough Shoal, the Philippines send a flagship of their navy to try to catch our fishermen. And in history, hundreds of Chinese fishermen have been killed, injured, tortured, or even put into prison by the Philippine government in the past few decades. That's the fact. Maybe we can discuss it.

I just provide you the Chinese perception. I'm sure Americans and Philippines also have a different perception. That's why we will today get together to discuss, and through discussion, we can find out the truth. So I think maybe the best way is not to just blame China and the best way is to sit down and according to the proposal of China, to shelf the dispute and to make common and joint exploration of the resources without putting the wood into the fire and make the tension to disturb the whole region.

MR. YANG RUI: Thank you very much.

Next question? Yes. This lady.

MS. HO: Thank you very much. My name is Zhang Hong. I'm from China's Caixin Media. I would like to ask back the question about China's domestic politics because I think it would be widely acknowledged that these Chinese government has achieved a lot in terms of lifting millions of people out of poverty. And as Professor Xin Qiang said, the Chinese government probably enjoys kind of performance legitimacy so far, and so far so good. But going forward, how much capable do you think the Chinese government will be able to maintain this kind of legitimacy, performance legitimacy in light of the new challenges that are arising? For example, environment, pollution, corruption. And just the sheer fact that society grows increasingly complex and difficult to govern. So how much do you think that's possible?

MR. YANG RUI: Well, on the domestic politics, it's not exactly politics. In fact, there are some issues about economics.

Now, I'd like to have an answer from my Chinese colleague, Qu Fengjie about the economic policies, whether they can be sustained. And the legitimacy. I mean, that's a very popular word concerning the future of China.

MS. QU FENGJIE: I think this is an excellent question. Recently, from last year, China certainly has faced many big issues, as you said, how we now recognize these problems, I had originally prepared a lecture that one of the biggest issues China now faces is a long-term challenge, that is economic restructuring, it is this.

MR. YANG RUI: Long term problem would be economic restructuring. That's the biggest challenge for the Chinese government.

MS. QU FENGJIE: I think the US is also facing the same kind of challenge, therefore perhaps we need a long time.

MR. YANG RUI: And the same is true with the U.S. economy. We are accused of investing too much but consuming little. This should be reversed somehow, right?

MS. QU FENGJIE: Correct, this situation and also too much reliance on exports. We need a long-term restructuring process.

MR. YANG RUI: We are relying on export-led growth for too long. Now it's time to reconsider the sustainability by turning to consumers. The politics, yes. Anti-corruption campaign by Mr. Xi Jinping. What do you think of the long-term impact on the future of China?

MR. XIN QIANG: Sure. Actually, I think most of the Chinese people agree with that. That corruption is one of the biggest challenges for present China. And we all supported such effort to crash the corruption.

I'm really not, as Dr. Qu is, in a good position to speak about the economic development because my expertise is foreign affairs. But just to remind that maybe in the past 30 years I doubt whether there are many people in the world who can imagine or dare to say that China can achieve such an economic boom. But the fact is we did it. And I also am cautiously optimistic about the future development of China because now we have a lot of challenges, we agree, including the hukou system with the development of the urbanization process. And that means if true, a lot of problems. But if one or two of them will be resolved, then it will open a new gate for future development of China. Difficulties also mean opportunities sometimes.

Thank you.

MR. YANG RUI: Thank you very much.

Time is running out. There are many important issues in this most important bilateral relationship, such as the arms sales to Taiwan, human rights, climate

change, proliferation of weapons of mass destruction, denuclearization in the divided Korean Peninsula, South China Sea, you name them. It would take hours to address those major concerns. The notion of a G2 might be very interesting and may appeal more to the mind and heart of those who do care about the bilateral relationship.

But to wrap up this very interesting brainstorming discussion here about 35 years of bilateral relationship, let me quote one punch line. No one stands taller than those who stand corrected. We all have our mistakes and vulnerabilities, but if we adopt a forward-looking attitude in shaping this important relationship, I think it will not just serve the fundamental national interests of the two countries but to help maintain peace and stability for the rest of the world. I mean, this is very, very meaningful, and this is one of the major reasons why we are brought here to discuss issues of common concern.

Thank you very much for your attention and time. Thank you.

(Applause)

MR. LI: -- Evan Medeiros, one of America's top foreign policy practitioners. Evan is a distinguished scholar in his own right, a strategic thinker, and also a good friend.

This last panel concludes our conference highlighting the accomplishments and the perspectives of young experts in Sino-U.S. relations. There is no better representative of the new generation of China scholars than Evan.

We are particularly appreciative of Evan's effort to attend today's meeting right after returning from The Hague where he was helping to coordinate a response to the current geopolitical situation in Europe. Luckily, today's topic of conversation is a bit more positive in nature about strengthening bilateral relationships rather than to repair them.

Now, I have known Evan for over a decade. Just as I became a fan of

Yao Ming when he was only 13 years old on the Shanghai basketball team, I became a fan of Evan when he worked as an international affairs scholar or fellow at the Council of Foreign Relations and wrote a famous article in foreign affairs -- I think it was in 2003 -- about China's new diplomacy, at the age of 19 or 18 at that time. Twelve years ago, 11 years ago.

Now, he currently serves as a senior director of Asian Affairs in the National Security Council, the post that my senior colleagues here at Brookings -- Ken Lieberthal, Jeff Bader -- previously held and also another former visiting scholar, Dennis Wilder also served that position, and he worked at Brookings for a year. So I know that the U.S.-China relationship is in good hands with Evan.

Well, ladies and gentlemen, please join me in welcoming the still very young but senior director of Asian Affairs in the White House, Dr. Evan Medeiros.

MR. MEDEIROS: Li Cheng, thank you for that very gracious and kind introduction. I appreciate the opportunity to address this conference here today and thank you for your friendship over the last decade. It's been fantastic. And the room today is filled with lots of friends, and it's just a wonderful opportunity to be able to join your conference today to celebrate the 35th anniversary of the U.S.-China relationship.

This is an auspicious occasion. 2014 is an important year. It's a year that the Obama administration sees as offering a unique opportunity to develop a relationship with China defined by more and better amounts of cooperation and coordination on the major global challenges before us today.

Let me begin by just underscoring the importance of Li Cheng and the Brookings Institution convening this conference today. I can think of no better topics than sports diplomacy, cultural diplomacy, and then, of course, the contribution of young scholars to the advancement of the U.S.-China relationship. That's just a fantastic

initiative. It's the work of young scholars in institutions in the United States and in China that's essential to ensuring that the U.S.-China relationship continues to be propelled by lots of fresh thinking, and I know that because I experienced it myself. As a young scholar at the Rand Corporation, I spent a lot of time studying and doing research about the underlying dynamics in Chinese foreign policy, in U.S.-China relations, and in East Asia more broadly. And it's that seven to eight years of research, the books, the articles, the conferences that inform much of my thinking about current U.S. policy toward China. So I commend you, Li Cheng, and the Brookings Institution for not only celebrating this important year, but also doing so by highlighting the work of young scholars because I think when we reflect on the past 35 years and when we look forward to the next 35 years, I think it is important that we have new faces, new thinking, fresh ideas, energy and momentum because that's going to be critical given the new and the different challenges facing us.

What I thought I would do today is reflect very briefly on how I see the past 35 years in the U.S.-China relationship in a very general way and then talk about what I think are some of the important challenges going forward.

First and foremost, it's important at an occasion like this to make sure we don't forget just how far we've come in the U.S.-China relationship in the past 35 years. It's easy to forget that. When President Nixon made his historic visit in 1972, the scars from the Korean War were still fresh, the Vietnam War was raging. We were in the middle of the Cultural Revolution, and I was one year old.

But probably the most, or one of the most important features of the U.S.-China relationship in 1972, in that fateful year, was the fact that nothing about the future of the U.S.-China relationship was preordained. Nothing was inevitable. There was no certainty of the pathway of our two countries. How long would it take for our relationship

to be normalized? How long would it take to fully institutionalize our relationship? At what point would we begin working together on major regional challenges? At what point would the United States and China become the two largest economies in the world and be central to ensuring that a global financial crisis does not become a global depression? None of that was certain at that time.

And yet, when we look at the U.S.-China relationship today, we have a bilateral trade relationship that's \$500 billion. 1.5 million tourists visit the United States every year. We have 200,000 Chinese students studying in the United States, more than any other country, and we have this great aspiration on the American side known as the 100,000 Strong in which we seek to get 100,000 American students to study in China.

But let's also keep in mind that not only have we traveled a long pathway and we've done a lot together, we've also weathered some very difficult time periods in the relationship. Events in 1989, 1999, 2001, 2012, there were some very difficult time periods, some problems that we had to work through. But what's important, the lesson that I take away from it, was that we worked through our problems, we found mechanisms that allowed us to address the difficulties on both sides, and yet keep the relationship moving forward. And it's these difficulties, as hard as they were during those particular periods, that I think have made us stronger, has made the relationship more mature, and they afforded us opportunities to grow. And the question is have we fully appreciated those opportunities? Have we fully studied the experiences of those difficulties? And are we drawing the right lessons for the future?

And I think one of the most important lessons that I draw from both the growth that we've experienced in the relationship and the difficulties that we have navigated is that simply put it's profoundly in both countries' interests that we develop a more constructive and cooperative relationship. The United States supports a peaceful,

prosperous, stable China, and we mean what we say. And it's, in some ways, a very fundamental commitment on both sides to this relationship that has provided a direction, a momentum, that has allowed us to stand here today and herald the accomplishments of 35 years.

But there has to be more. There has to be more to the U.S.-China relationship than simply it's too big to fail. There has to be more than just an agreement that we need to have a constructive relationship. And that's what I'd like to talk about today. What is it in the next 35 years or the next 70 years that's going to be essential in order for us to keep the relationship on track, moving forward and contributing to solving the essential regional and global problems that challenge the modern international order?

It's my view that the U.S.-China relationship is not on autopilot by any means. That, in fact, it requires strong leadership, vision, determination, and very careful management by government officials, in order to ensure that we continue to grow the relationship. It depends on deliberate choices of leaders in both countries that are focused on expanding our areas of cooperation, determining where it is our interests overlap where there's domestic political space on both sides to pursue that, where there's capabilities on both sides and the political will in order to work on problems, but at the same time manage our differences.

And that's what we mean when we talk about building a new model of relations between the United States on China. It's on the one hand expanding cooperation and coordination; on the other hand it's managing our differences. In other words, the new model is really about avoiding the new model. It's about avoiding that model where a rising power and an established power inevitably come into conflict, but of course, the question remains how exactly do you do that?

Our view is that fundamentally it begins with the expanding cooperation,

managing disagreements type of framework, and it's a difficult thing to do. It requires vision and determination as I mentioned. Some in China say that in order to build this new model, the United States must accept and accommodate China's core interests. That's their definition. We simply have a different view. We think there's too much of a focus in the U.S.-China relationship on China's core interests. We spent far too much time talking about this issue. We need to focus less on core interests and we need to focus more on common interests and ways in which we are acting together to solve those critical regional and global challenges that are consistent with all of our interests. Those challenges I think are very well known to this audience -- climate change, nonproliferation, global growth, energy security. Solutions to all of these problems are going to require effort from the United States and from China. Neither one of us can do it alone, but both of us are essential to any kind of enduring solution. History is going to judge us on our ability to focus on our common interests; to put aside and carefully manage our disagreements in order to make progress in these areas.

So the way we see it is that it's essential to build patterns of interaction that facilitate habits of cooperation in order to work together in practical, tangible, visible ways to solve these regional and global challenges I've talked about. We have sought to do that in the Obama administration. I know, I've been there since 2009. We began by rewiring the operation of the U.S.-China relationship. In the early days, I worked very closely with Jeff Bader, Kurt Campbell, and we looked at the U.S.-China relationship, and we decided that we needed to make sure that the right people were talking about the right issues in the right ways at the right levels. And to do that required us to reconceptualize how our leaders and our senior officials were talking. And that's what resulted in some of the important mechanisms that we've built. We made sure first and foremost that our top leaders were talking much more frequently. As we all know, the

relationship operates best when there's leader-to-leader communication in direct, clear ways.

One of the most important lessons that I draw from the past 35 years of the U.S.-China relationship is that we work best together when our communication is clear and it's consistent and it's cooperative, and that's what building these patterns of interaction are all about. We created the Strategic and Economic Dialogue. The president designated the secretary of state and secretary of treasury as his key envoys. We created the Strategic Security Dialogue in which we have American diplomats and American military officers talking with their counterparts in China from both the Foreign Ministry and the PLA. They're talking about those security issues that are controversial on both sides, but yet it's important that we have these conversations so we can understand better what our differences are and then we can look for better ways to manage them and to find cooperative solutions.

When it comes to ways in which the United States can work together with China on these defining challenges of our time, I think the United States and China need to elevate our ambitions. We simply need to be more ambitious in the next 35 years. There are some important useful examples of our cooperation in the past few years. Iran and North Korea, the nuclear challenges presented by those countries, are areas where the U.S. and China have usefully worked together, and we need to continue to work together on them. In other areas, such as Afghanistan, South Sudan, counterpiracy in the Horn of Africa, there has been important cooperation as well.

But yet, there's more that we can do, and there's more that we should do together. The question is how do we ensure that we're having the right conversations to identify where those opportunities are? And we think that there are a variety of different opportunities -- in the clean energy space; in improving air quality; in cooperating on

climate change; in the area of development assistance, public health, disease eradication; in responding to humanitarian assistance and disaster relief, and of course, on nonproliferation. These are all areas where we believe that our interests overlap, where there's political space in both countries, there's political willingness to cooperate, where there's capabilities in order to contribute to solutions, and that the incentives for competition are minimal and can be managed. So we need to do better. So let's be more ambitious, and let's expand and build out the cooperative aspects of the U.S.-China relationship.

But there's another part of the equation, and that's our management of differences. And we need to pay attention to this because it's inevitable that there will be differences in a relationship as large and complex as ours. There are differences in perception. There's differences in interests. And both of these types of differences are prevalent and can strain our ability to work with one another.

The policy challenge for us is how do we minimize these in a way that doesn't constrain our ability to cooperate? But doing so is a difficult task; I know because it's something that I live on a day-to-day basis.

I think in some areas, such as the military-to-military relationship in the last year, we've seen some strides. The quality of our dialogues have improved, and the pattern of our interactions, the frequency of our interactions are growing. The two presidents had a very substantive discussion at Sunnylands about ways where we can expand military-to-military cooperation and we're looking at and we're studying a variety of confidence-building measures in both areas.

But then there are perennial difficulties in the U.S.-China relationship that we need to pay close attention to as well. Take the issue of Taiwan. Our positions on this issue are well known. Henry Kissinger addressed this issue in the earliest stages of

his interaction with China. President Xi and President Obama discussed the Taiwan issue just this week when they met together in The Hague. The exchange was what you would expect. China stated its position; the United States stated its position. Yet, unfortunately, after the meeting between the two presidents, the Chinese Foreign Ministry released a statement that willfully mischaracterized the U.S. position on Taiwan, as if our position on Taiwan had somehow changed. It has not.

These kinds of actions are unwelcome, and it fosters mistrust between the United States and China. And we believe it's also unhelpful for China's goals. China should focus on winning the hearts and the minds of the people of Taiwan, as opposed to making them insecure about U.S. policy, as if somehow we have changed our position on Taiwan and are saying things differently in meetings with President Xi than we do publicly, which we aren't.

So in this context, I think it's important to pay attention to the fact that not only is 2014 the 35th anniversary of the U.S.-China relationship, it's also the 35th anniversary of the Taiwan Relations Act, which is U.S. law and which we remain firmly committed, along with the six assurances.

The Taiwan Relations Act is an important and it's an enduring expression to the people of Taiwan about our commitment to their well-being, their security, their economic autonomy, and their international space. The United States has an abiding interest in the peaceful resolution of the Taiwan question, and we commend the leadership in Beijing and in Taipei for the substantial steps that they have taken to improve China-Taiwan relations in recent years. The progress has been historic, and we hope that it continues in ways acceptable to both sides.

Another issue of abiding U.S. interest is upholding basic international norms, such as protection of sovereignty and territorial integrity. This concept is at the

heart of the modern state-centric international system. As we all know, it has its origins in the Treaty of Westphalia from 1648. China's position on protecting sovereignty and territorial integrity I'm sure is well known to many of you in the audience today. It's something that we're very clear about and the Chinese government is very clear about publicly and privately.

Yet, the situation in Ukraine has raised questions. Russia's questions in Crimea are chipping away at the unviability of this fundamental principle and has created uncertainty and instability in European security. We believe an erosion of these principles is destabilizing to East Asia as well, especially given the various territorial disputes in question.

Yet, despite this obvious challenge by Russia to these basic sacred principles at the heart of the modern international order, China's position on this has been unclear. China has not criticized Russia for the most serious violation of territorial integrity and sovereignty in decades. China abstained in both the UNGA vote yesterday and the UN Security Council vote a few weeks ago regarding the referendum in Crimea, producing uncertainty about how China defines its interests and how it pursues them. In 2008, I'm sure everybody was well aware of China's position on the issue of referendums.

So are we to conclude that China's position on territorial integrity and sovereignty is conditional? That there are some caveats depending on China's other strategic imperatives? These are the kinds of questions that I think we need to be talking more about in the U.S.-China relationship.

I know the United States has questions raised by China's position on Ukraine, and I think other countries in other parts of the world have questions as well given China's stated commitment to territorial integrity and sovereignty but yet it's de

facto support for Russia's position on Ukraine.

As I mentioned, these are questions that we want to talk more about in the U.S.-China relationship, and at the heart of this task of managing our disagreements, managing our differences is making sure that we can have substantive conversations about these questions and other questions in the U.S.-China relationship because it's only through a more consistent dialogue between our top leaders on even the most controversial questions that are difficult to talk about but require answers. It's only through that that we're going to be able to manage our differences and our disagreements in a way that create the political space for us to continue to cooperate and manage mistrust in the relationship.

So let me just conclude where I began, which is I think we're all students of U.S.-China relations. We need to redouble our efforts to understand the lessons that we can draw from the successes of the last 35 years in order to ensure that we're developing the patterns of interactions, the habits of cooperation that allow this relationship not to be defined by competition and strategic rivalry but to be defined by better quality cooperation on the regional and global challenges, the contributions to public goods that I think need to define the U.S.-China relationship in order to ensure that we have a stable and productive future.

So I think there's enormous potential in the U.S.-China relationship. I'm committed to realizing as much of that potential as I can. And I think it's important for all of us to remember that the future of this relationship is not preordained; it's the work of all of you in this room and all of the young scholars at the conference today that will help us realize the full potential for this relationship, and let's be as ambitious as we can as we look out to the next 35 years.

Thank you very much. Thank you, Li Cheng.

MR. LI: Well, thank you so much for giving that very comprehensive, candid, and constructive remark. I know that the audience has a lot of questions. I have some questions, but due to Evan's next engagement, we're not going to take any questions. And I think that your speech will be read in so many corners of the world. It will be translated in so many different languages, and you will have a lot of questions in the future. But it was excellent in many ways that you used the term "ambitious" several times. I do believe that we are so fortunate to have in our policymakers and in the White House to look at the more ambitious, to look at our future. This, itself, is very, very encouraging.

So I would like to ask the audience to join me to thank Evan for finding time in an extremely busy schedule to speak at Brookings. I hope that you will return many times in the future.

MR. MEDEIROS: Great. Thank you.

MR. LI: Thank you so much.

Thank you. And also a safe trip back to China for our colleagues.

(Applause)

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