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FULL TRANSCRIPT

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

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

Moderator:

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

Welcome remarks:

Yang Yuliang, President, Fudan University

Richard Bush, Senior Fellow and CEAP Director, Brookings

Keynote speaker:

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

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

Moderator:

Richard Bush, Senior Fellow and CEAP Director, Brookings

Panelists:

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

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

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

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

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Moderator:

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

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Panel 3: Regional Security in East Asia

Moderator:

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

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

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PROCEEDINGS

[PANEL 1]

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

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

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

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

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

Number two -- comparison with top leaders, I'm more interested in the minister-level change, but is what's the difference between John Kerry and Hillary

Clinton? It seems that John Kerry is more interested in Middle East than East Asia. So even if he replacing Obama joined APEC and East Asia Summit, but he's not that visible than Hillary Clinton's presence in this region.

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

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

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

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

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

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

[temporary]. So how will his cancellation of the trip impact from American re-balancing policy in this region? I think Jonathan will give a right answer, I guess. And also, we will see that Americans this year focus more on Middle East than on Asia -- Syria, Iran.

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

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

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

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

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

I use three sentences to end my presentation. The first sentence is used by Hillary Clinton. That is, we should find new answers to old problems. And the number two sentence is former Councilor Dai Bingguo we need to find good answers to new problems. And number three is my own. We need to find some smart answers to difficult problems. Okay, thank you.

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

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

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

Congratulations on your remarkable career.

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

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

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

representing China, or *Washington Times* represent America. So it's really important to have a more balanced view.

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

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

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

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

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

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

innovative and imitative, bureaucratic and efficient, passive and aggressive, repressive and free-wheeling -- actually, the list is very long. I just want to cut here.

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

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

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

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

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

The reason the survey by the Gallup poll also reveals some party differences -- Democratic Party and Republican Party. It tends to be Democratic Party

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

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

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

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

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

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

Now these are, relatively speaking, the negative groups. Now Chinese Americans, usually, is a very pro-China force, especially in recent decades. In my observation, they are very much concerned about some of the [developments].

Particularly, most people don't like Bo Xilai, his Cultural Revolution style approach, so they're worried about Maoism coming back to China. This is actually among the cultural elite among the Chinese American communities. But by and large, they are still a pro-China force.

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

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

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

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

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

or misunderstandings but at the same time others can make kind of perceptions, actually, arguably based on varied concerns. So it's something I think both countries should improve, there's no question about that.

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

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

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

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

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

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

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

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

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

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

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

On climate change, I think our positions are also getting closer. A working group has been set up to work on this. I believe that China has greater incentive now to

invest even more in this area. We have paid a lot of attention to this but we are going to pay more attention to this because we have a serious smog problem, among other things.

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

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

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

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

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

-- especially the concerns of the other party, in order to advance our relationship. Thank you.

DR. BUSH: Thank you. Jonathan?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DR. BUSH: Cheng?

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

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

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

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

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

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

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

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

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

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

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

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

DR. BUSH: Michael Hammond for the last question.

[Missing Audio]

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

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

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

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

that includes China but it extends to Japan, it extends to both Koreas in a different way.

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

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

[PANEL 2]

YUAN PENG: Okay ladies and gentlemen, let's start this afternoon's panel. This morning we had a very fruitful discussion and excellent luncheon speech. So afternoon, the first session will be a little bit sleepy, so I really hope that our speakers can say something very exciting, so that, refresh us. We will have four speakers and the title of this panel is economic integration in East Asia. The first speaker will be William Antholis, a senior fellow and a managing director of Brookings. His topic is Challenges to the International Trading System. Number two speaker is our Fudan associate professor of Center of American Studies, Fudan University, Song Guoyou, Professor Song Guoyou. His title is China's Approach to Challenges in the International Trading System. And number three is Ms. Solis, Mireya Solis, senior fellow and Philip Knight Chair in Japan Studies at Brookings. And the fourth is Richard Bush, director of the CNAPS program. And let's start from William and one by one, and each maybe less than fifteen minutes and ten to twelve minutes, okay? So that we have enough time at the end for a discussion. Thank you.

WILLIAM ANTHOLIS: Well thank you very much. It's truly a pleasure to be here. I've been at Brookings now almost ten years and I was delighted to finally be invited to a CNAPS conference, but actually it's truly an honor, and Richard and I were travelling earlier together this week and it's been a lot of fun too. It's often said that the hardest talk to give at an event like this, is the one at the end of the day, because everything that anyone would have wanted to have said has already been said and you can't say anything new. Some people say it's hardest to go first because everyone is wide awake, all eyes are focused on you and you can't possibly say anything that will be remembered at the end of the day. But I think this is the hardest one because people have come back from lunch and everyone's going to go to sleep. And you won't remember what I've said, and you won't pay attention to what I've said. So to try to make it a little more interesting, we've all heard the movie *Four Weddings and a Funeral*. My view of trade is one fairy tale wedding and four near funerals, for where we are in the current global trading system. And the fairy tale wedding is the global trading system that emerged after World War II and has had several major steps forward in the last over sixty years, created wealth, helped create peace and has helped fuel the rise, the peaceful rise, of China. So in many ways the global system is absolutely productive and worth

retaining and it was a fairy tale wedding. But along the way we've come to four near death experiences, four potential funerals that I want to quickly highlight. And one is the structure of the world trade organization itself. We now are in a system where there are really three major kinds of players in the system, and they all have very different goals for the system. There are the advanced OECD democracies, who have a view of the systems based on sixty years of success. There are the big emerging players that have elements of them that are very OECD like, and have adopted certain elements of the system to drive economic reform, growth and integration, but also have parts of their system that undermine those both tendencies and the aspirations that come with the next round of where the regime should go. And then there are the poorer countries that are part of the system but don't benefit from it and are looking essentially for concessions. And within the system there's very little way for a country to graduate from one stage to the next in a successful way. So in the negotiations themselves, there's been a breakdown. Meanwhile the disputes continue over very high profile issues, from solar energy to applying taxes at borders on one thing or another. And that makes for a very unbalanced system, where positive things, like negotiations that keep hope and ambition within the system, have stalled, and negative things that put strain on the system continue.

This is the longest round in the GATT and WTO's history. It was launched in 2001, shortly after the 9/11 attacks in a way of giving confidence to the global economy, and now, just almost exactly 12 years later, the round hasn't been completed, and all previous rounds were completed in seven or eight years.

So you have a system that really is facing gridlock, which goes to the second near death, which is the near death of political consensus within major countries, for trade liberalization. It used to be that there was a center out caucus. By center I mean people who believed in market economics and in the embrace, the political embrace of market economics that started both with companies and to some degree with labor unions and other civil society organizations. And while, from time to time, on a country by country aggressus that coalition can be put together, that coalition for global agreements and to some degree even regional agreements has broken down. It's the case of the United States. It's the case in most other industrial democracies and it's increasingly the case in big emerging markets where internal political battles on a range of issues are starting to play out in the trade arena.

The third near death is after a rebirth, which is the rebirth of regional trading agreements, which has been quickly followed by a near death, and I'm not going to talk much about that because Mireya will discuss those things. But the Trans-Pacific Partnership, the Transatlantic Trade Investment Partnership, ASEAN, ASEAN-China -- on the one hand these create potentially important regional blocks where you can get agreements to happen, but they all face challenges as well. As quickly as one is proposed, it suddenly sees the difficulties and contradictions in pulling them off and they face a range of different issues like, how could somebody else with similar interests join an agreement? If a transatlantic partnership happens, could you pan-join to it? As well as, are there blocks to certain countries -- preventing them from joining?

And then finally, the last near death is the near death of trade itself as a concept, as a discrete Westphalian concept. We have this view of trade of one country trading with another country. But a range of things have helped break that down. One is the global supply chain has become so complex. It is hard to say where a product is actually made. It's finally assembled in one place, but the parts and pieces have been either produced or assembled or partly assembled in other places and shipped on. And so the idea of one state trading with another -- that's in some ways the biggest challenge, but also, suddenly the recognition that trade and currency flows track and are aligned with one another and are connected with one another, but we don't live in a Westphalian currency world anymore, when some countries peg their currency to another country, it affects trade flows not just between those two countries but between either one of those countries with another country that has a different currency. And then when you have within a currency, like the European Union, countries facing very different competitiveness situations, like Greece and Germany for example, trade within that system becomes complicated let alone between that system and other systems.

That applies to other issues that are connected to trade as well. So again, we think, used to think of trade as trading one product from one country to another country. And now any particular trade issue has attendant other issues connected to it -- energy, environment, commodities, labor standards. And as those issues have broken down, it's complicated the broader set of trading issues. So the idea again of Westphalian trade has given way to issue integration, and issue disintegration.

And then lastly, what you've seen is the rise of cities and states and localities, who themselves have become competitiveness engines. And while that's been a very productive thing, when you have national gridlock over issues as a general matter or national gridlock over these issues, national standards for environment or, you know, in the United States we don't have a global climate agreement, which -- we don't have a national approach to climate change -- has prevented us from having a climate change agreement, what you then get are states and localities that work on those issues and that has an impact on trade. States and localities doing protectionist things on energy or environmental regulation, or states and localities trying to be more free trade -- trying to establish a Shanghai free trade area. And that, when you put something like that forward, it complicates the national picture of having a coherent approach to trade, so you move from a Westphalian system to a Hanseatic league of cities trading with other cities that have similar approaches to issues.

And so I think we're at a moment where the dream, the unifying dream of the fairy tale wedding is giving way to these deaths in the family that constantly keep drawing our attention away to other issues and make the coherent push for big trading agreements successful.

YUAN PENG: Thank you for saving almost two minutes. Thank you. It's a very new model. Our second speaker is Song Guoyou.

DR. ANTHOLIS: You didn't fall asleep, so I succeeded.

YUAN PENG: No, no, no, no, no. In my mind, your speech leaves me with a very deep impression - it's death, near death, and birth, so I cannot go to sleep. Song Guoyou.

SONG GUOYOU: Okay, thank you Chair. It's my great pleasure and honor to be here, especially when I'm sitting with three Directors, all are Chairs. Actually, I'm only an Associate Professor. Okay, the title given to me is China's approach of challenge of international trading systems. So first, how China identifies its challenge. For me, I think there are four challenges facing China. One is the deadlock of WTO Doha round. William just used the four deaths to describe the multilateral trade system. I remember that last year when we held, when we hold, a conference with Georgetown delegation, Daniel Drezner used three dead to describe multilateral trade negotiation. He said dead, dead, dead. Three deaths -- so it's American popular opinion? Okay, anyway, the first two -- challenge two -- trade protectionism. China has got, according to China's government statistics, China has got the most anti-dumping investigations and the most anti-dumping service among WTO members over the last seven years. And for China, trade protectionism and abuse use of trade remedy measures can only do harm, not only for China but also the rest of the world.

And the challenge three -- a regional and bilateral FTA competition. Regional and bilateral free trade agreements at heart should be a useful addition to the WTO. However, many regional and bilateral FTAs do not complement each other and they should, but act as rivals, and contest is growing. Fields between FTAs are dominated by major economic powers.

And fourth is about uncertain global economy. As we all know, China now is still relying very much on China's foreign market, free market, with uncertain economic growth, so China's trade with the rest, I think still some difficulties.

Facing such challenges, China is taking, following such counter-measures, basically, according to my analysis, it's a multi-level approach. Namely global approach, a regional approach, a bilateral approach, and an internal approach. First of all, it's about global approach. Actually there are two contents. One is for China, not the U.S. Inject more impetus into WTO Doha round. The multilateral trade system with the WTO at its core is the foundation for trade globalization and facilitation and it cannot be replaced by any regional trade arrangement. An open, fair and transparent multilateral trade system conforms to the common investment interest of all countries. Now we have early harvest negotiation of Doha round. Early harvest negotiation has come to a final stage. Only several weeks are left before the ninth military conference. So China urges all parties should focus on [breaking barriers]. Present much flexibility, seek to (inaudible) as soon as possible and avoid bringing new issues. And there are three proposals initiated by China. One -- do not challenge the bottom line of other member countries, which will lead earlier harvest to miss good opportunities. Two -- do not create new problems and difficulties. Three -- all parties should make full play of flexibility, seeking compromises, proposals and the reasonable landing area. Number two approach of global level -- just as William mentioned, China urged, encouraged to introduce a new statistics of a trade value added system. The statistical value is created by attributing

commercial value to the last century of origin perverts the true economic dimension of the bilateral trade imbalance. This affect the political debate and leads to a misguided perception, so the current trade status creates a distorted picture about China and developed economics trade imbalance, especially China-U.S. trade imbalance. And Mr. Wang Yang our now vice premier who charged [with] commercial issues of China, urge that value added approach should be introduced to world trade statistics. The second approach is a regional trade approach. Besides global approach to deal with challenges, China at the same time is willing to advance regional and bilateral cooperation with other countries and regions with an open and inclusive mind. In promoting world trade liberalization, the Chinese government believes that the multilateral system should play a major role, but China also, meanwhile, as I said, focus such the following initiatives. First is RCEP. Regional Comprehensive Economic Partnership. Two rounds of negotiations have been held on RCEP. China proposes that the regional economic integration should adhere to the principle of openness, inclusiveness, transparencies, and is willing to with other RCEP members -- 15 members -- to strive to fully complete the negotiations by the end of 2015, quite close to TPP. To reach a modern, comprehensive, high quality mutually beneficial free trade agreement in this region. Second, ten plus three, East Asia FTA. For China, to establish East Asia FTA is in line with common interest of all countries in this region. Since 2004, it has been put forward to promote the [establishment] of east Asia FTA in every ten plus three leaders' conference. China wants to have a three step approach to put forward, push forward, ten plus three negotiation. First, accelerate the process of establishment. Second, persist in bringing ASEAN into full play. Third, gradually promote the established based on the different development situations of countries in East Asia. And I want to remind you that besides that I mentioned about two approaches, regional approach, there is a new equation of China's trade policy. This is called economic bet. When Premier Li Keqiang visits India this May. He proposed to establish a China, India, Myanmar, Bangladesh economic bet among the four countries, and when Xi Jinping visits central Asia, he also initiated a Silk Road economic bet. It worth noting that those two economic bet will cover two neighboring countries, to cover neighboring regions which have no any FTA negotiations with China. It's a very flexible approach.

And there are also bilateral approach to deal with international trade changes. China now has had twelve bilateral FTAs with different partners in various regions including ASEAN, Pakistan, Chile, New Zealand, Singapore, Peru, Costa Rica, Iceland, Switzerland, and three special free trade arrangements with Hong Kong area, Macau area, and Taiwan area. And there are new arrangements of China's bilateral FTA negotiation. First and foremost is China-Korean FTA, China-Korean FTA. There are, has been, seventh round of China-Korea talks. Last month, September, we witnessed the seventh round of FTA negotiations. Up to now the two parties conclude the first stage of FTA talks, and the second stage FTA talks are upcoming. China-Korean FTA talks, as I said, are two stages. The first stage is about that two parties reach consensus on trade in groups - agreements, scope, principles, frames and elements of talks of all fields. Now stage one was finished. And the next bilateral approach, I think it's very new and interesting. When Premier Li Keqiang ended the sixteenth ASEAN-China summit this month, he stated that China would launch new negotiations with ASEAN on upgrading the China-ASEAN FTA and to strive to bring bilateral trade volume to one trillion U.S.

dollars by 2020, so as to ensure that ASEAN countries would benefit more from regional integration and China's economic growth. An upgraded China-ASEAN FTA is aiming to expand the content and scope of current ASEAN plus China agreement by highlighting areas, such as lowering tariff rates, cutting non-tariff related measures, launching dialogues for a new round of service trade pledge, and pushing forward the actual opening up for investment, et cetera. It's a new proposal.

[Premier] Li Keqiang prefers very much about upgraded -- upgraded economy, upgraded China neighboring economic relations, upgraded China-ASEAN FTA. And last but not least, China's bilateral approach is China-Australian FTA. Several rounds of China-Australia FTA has been held, have been held for the last years. There are several problems with this FTA. Basically, Australia thinks China's investment in Australia should be limited but this proposal is, cannot be agreed by China, so there are some problems, but to my understanding, China will try its best to finalize China-Australian FTA. Also I want to share something about TPP. It's a hot topic in China. But I want to use a skillful statement here. China advocates that every economy should stick to the principles of opening, tourists, and transparency is a cost of free trade zones construction, especially for economies with different levels of development. We should provide flexible choices for each economy on the way of integration. China has always attached great importance to enabling and tracking the development of TPP negotiations and constantly listened to options from all the departments and industries in China on TPP. China will examine the pros and the cons and the possibilities to join in TPP based on quality and the mutual benefits.

It's also worth noting that in this year's APEC, President Xi Jinping implied that two biggest regional FTAs, RCEP and the TPP respectively, could interact with each other, so as to build a whole Asian Pacific free trade area -- APFTA.

And last approach is an internal approach. Actually, Mr. Xie Feng has mentioned something about China's internal economic reform. To me, I think there are several -- one, is a shift of economic growth model from export driven to domestic consumption driven. Basically, more consumptions, and more imports. I think once China achieves those two goals, China will, can provide necessary public economic dues and regional public dues for the region and for the world.

Okay, here is my conclusion, also very skillful. China will take an open, inclusive, cooperative and responsible attitude in building and maintaining a sound international trade environment, together with its trading partners, and in shaping a balanced multilateral trading system. China hopes that with all countries' joint efforts, especially the largest two countries in the world, China and the U.S., the mutually beneficial and win-win trade and economic relations among all WTO members could continue to develop soundly and steadily. Thank you very much.

[Missing Audio]

YUAN PENG: Okay, thank you. A skillful and a comprehensive and bilateral, multilateral, internal approach of China in dealing with East Asia economic

institution, and when we're talking about East Asia economic integration, the most popular concept in China and in this region is the so-called TPP. So this is exactly the topic of Mireya Solis, and her topic is Trans-Pacific Partnership. Welcome Ms. Solis.

MIREYA SOLIS: Thank you so much, Mr. Yuan. It is really a pleasure to be here at Fudan University. This is actually my second visit. I came eight years ago and Professor Wu is such a pillar of Fudan University that he hosted that delegation as well. And it's a pleasure really -- this is my second time to participate in the CNAPS Fellows Conference and to get to know many of the previous Fellows, since I've only been at Brookings for one year, so I feel this is a great opportunity to develop those relationships as well.

So I'm going to talk today about the Trans-Pacific Partnership initiative and everywhere I go, there are all kinds of views and everybody has an opinion so I find I'm always in the hot seat, so I knew this will be the same case this afternoon. And I'm not going to focus on deaths. I'm actually going to focus on new beginnings, because I think that these are very very exciting times in the world of international trade politics, especially when we focus on the area of preferential trade agreements or FTAs -- Free Trade Agreements. And what is really interesting I think is that I've been watching Free Trade Agreements for over a decade, and the basic characteristics of this FTA wave were as follows. First of all that we were looking mostly at bilateral trade agreements -- a pair of countries that decide they want to talk about deeper economic cooperation. But frequently, they were very very cautious in how they did this, so actually we're talking about relatively small economic partners. So that was a second very important characteristic of the previous wave of Free Trade Agreements - that you had countries spending three or four years of negotiations and they were only going to open markets that amounts to say, three percent of their exports, so it was really puzzling, but that was very frequent when you were looking at what kind of trade agreements were being negotiated.

And also in the past, we had frequently a developed country and a developing nation negotiating a free trade agreement, so there was a north-south component to these negotiations. None of these trades applied to the most exciting consequential trade negotiations that we are witnessing. And I like to refer to this as mega-trade agreements. Why? Well, first of all because we're now talking about plurilateral agreements. We're now talking about trade negotiations that combine many several markets so that actually the stakes are much higher. And one very easy way to get at that is to look at the share of all GDP that many of these mega-trade agreements represent. The TPP comes close to forty percent of world GDP. TTIP, the Transatlantic Trade negotiation -- forty-six percent. The Regional Comprehensive Economic Partnership -- thirty-three percent. And the Japan-EU trade negotiation -- close to a third of world GDP. So the stakes are very high. We're no longer talking about small trade agreements. We're now talking about the big leagues and therefore this generates a lot of attention. Second, we're actually now, and this is very interesting, we now have industrialized countries sitting across each other at the negotiation table. It's no longer only that it's a north south component, but actually that now you have industrialized countries like the EU and the United States negotiating, Japan and the United States

negotiating also, as part of the TPP. And I think that then this results in the consolidation of a very important trend regarding the substance of trade negotiations. Tariffs is an old story, still matters for some very specific commodities where you have entire peaks, but the fact is that most markets are protected through other means and not any longer tariffs. And this means that trade policy has migrated and the agenda has migrated to behind the border issues. This is an incredibly difficult, complex issues to get at, because we're frequently now talking about dismantling, reforming, harmonizing regulatory approaches. This means that they touch in many, many different policy dimensions, that were not subject before to international negotiation, and therefore, as Bill was saying there is now push back from many domestic groups, who would not like to see this encroachment of the trade agenda on so many different issues. And we shouldn't assume that because industrialized countries are negotiating with each other, that they'll agree on the high standards and therefore the regulatory talks will proceed easily. I think far from it. Because these industrialized countries frequently have well established approaches to regulation and they believe that they have the best approach and therefore they might not very easily consider reforming it as part of a trade negotiation.

And lastly, and I think this is also what makes this a very exciting time in international trade. Not only that we have mega trade agreements among very large economies that are talking about behind the border issues, but it's also that it all happens simultaneously, right? So you have four or five mega trade agreements and they're all being negotiated as we speak and that's why I would like to emphasize the new beginnings idea. And I think that this gives an opportunity, creates opportunities and challenges. So let me just highlight what would be the best case scenarios where we could really get very positive outcomes, but also, what are the potential downsides. Where are the risks of having these simultaneous mega trade agreements?

So if everything went well, and we were to think about the positive best case scenarios, I think that we could hope perhaps for a race for the top phenomenon -- a race to the top phenomenon. And by that what I mean, and I think it's very close to what Professor Song was saying -- competitive, constructive competition, among different trade agreements to raise the quality of these trade agreements. That would be a good thing if it would happen. And this could happen in different ways. One is that when you have one trade agreement that is aiming very high, that has a high level of ambition, that creates an incentive for the other trade agreements to also raise their level of ambition if they want to remain relevant, if they want to be attractive for cultivating investment and for trade opportunities.

But also there's a different mechanism, and I think we shouldn't lose sight of how important that is. And that is, there is overlapping memberships in these mega trade agreements. So the idea is that when one country agrees to negotiate very high standards in one trade negotiation, then it shouldn't be too hard to agree to the same level of ambitious high standards in other trade negotiations. And I think this also sets aside trade agreements from security arrangements. They're not as exclusive. There's overlapping membership, and I think this is a very very positive development.

The other, I think, good scenario would be if we could come out of this

mega trade negotiations with rules that would be capable of global dissemination. And I think that there's a lot of focus on the quality of these rules, and that is certainly called for, but then we should also evaluate these rules in terms of their dissemination potential. Because what I don't think would be positive at all is if out of these mega trade agreements we end up with say the Pacific standard and the Atlantic standard. We would in principle hope that these will become global standards, especially because the WTO has had such a hard time in moving forward the trade negotiation agenda. And to me this then places a special responsibility in what I identify as bridge countries -- that is, central countries that are sitting in these different negotiation tables and that must have in mind the importance of pushing for compatible, coherent standards in these different negotiation fronts. It's not easy, but if we don't make an emphasis on that, it's certainly not going to happen.

And what are the challenges of having so many big large stake trade negotiations taking place simultaneously? One is, of course, that countries are biting more than they can chew, all right? And that they're going to scatter their resources too thin, and I think it's become very very troublesome for some countries, that they cannot staff sufficiently all these different trade negotiations. This is particularly hard for developing countries, who may not have all the resources -- the human bureaucratic resources, well trained, in these very complex technical topics, but it affects every country, and the United States for example, with the sequester, has been affected. The budget of the U.S.T.R. -- the traveling budget for the U.S.T.R. has been affected and these are real issues.

The second problem, potential problem is that one -- I argued for global standards and what happened is that we end up with large FTAs with idiosyncratic rules and again, these would be a movement towards compartmentalizing and not integrating the world economy. And lastly I think that these mega trade negotiations, what they bring to the surface are a discussion about what is the future for the WTO? I think the WTO cannot update in a broad multilateral rule on the trade and investment issues for close to twenty years and you have to move through the mega FTAs -- what does this mean for the future of the organization?

Now I started this because I think it's important to place in this context the Trans-Pacific Partnership, and in many ways I believe the Trans-Pacific Partnership is the precursor of these mega trade agreements. It's stimulated in creating incentives for other countries to then launch these other very large trade agreements. And I think it's really interesting that from the get go, the TPP has attracted a lot of discussion, you would say controversy, certainly wherever I go, I feel like it's talking about taxes when I say TPP. Everybody has an opinion and a strongly held one. So why is this the case? I would argue that there are at least four things that make the TPP stand out.

One is, first of all, that the sheer level of ambition makes the TPP stand out. You know, when you have something like four hundred free trade agreements, (inaudible) to WTO -- it's very easy to think about run of the mill trade agreements, but this has never been the case with the TPP, because of the no exclusion mantra. The idea is that TPP countries have always said, you have to put everything on the table. We will

not do what other trade agreements have done, which is to negotiate the easy trade agreements by setting aside difficult sensitive sectors. And what you get is that one country looks after your sensitivities and you get that in return and the result is of course a low quality trade agreement. And the idea is that we commit ourselves to, in principle, putting everything on the table and we therefore expect to have, as a result of these negotiations, a very high liberalization rate in terms of the tariffs that get eliminated. And secondly, this is the other point that makes the TPP stand out -- it's a very comprehensive, ambitious agenda to tackle the non-tariff barriers. Twenty-nine chapters that deal with a wide array of issues like intellectual property, supply chains, competitiveness, state run enterprises -- you name it. So clearly there's a lot on the table to negotiate.

Third and I think this is also a very important trait of the TPP, is its open clause -- the possibility of expanding. One of the verges of the TPP project has been always that it's an expansive project. It already grew from four to nine, twelve, and in principal, all APEC economies have a right to request membership in the TPP. And the idea therefore, that what you're aiming for is a construction of an Asia-Pacific platform. And this is important because frequently we only think about the Asian component, but we should also not lose sight of the fact that many Latin American countries are also part of these agreements, and therefore the idea is that you are creating this cross regional platform.

But the most important reason why I think that TPP stands out is as follows. I think we're witnessing a major experiment, as to whether we can use a trans-regional trade vehicle to move forward the trade negotiation agenda. We know that the WTO has become too diverse, too polarized, so the agreements for in depth integration seem very, very difficult to reach there. We also know that the bilaterals have been tried before, and what we got were very modest results by using a lot of negotiation resources and idiosyncratic agreements that would not create this region -- these global standards. So what we have here is trans-regional agreement, where the stakes are high because the markets are of importance and a deep integration agenda. Can we make this work this time? I think that is what is at stake in the TPP.

Now, why is the TPP so important for the United States in particular? I think that there is no question that the TPP has been the signature trade initiative for the Obama administration. And I would put to all of you that there are at least three main, very consistent, objectives that have driven the strong priority attached by the Obama administration to the TPP. One is, of course, that this would become a platform for the design of these rules -- these standards of trade and investment. Again, the rule making aspect of the TPP is critical. Second, this becomes a way in which the United States can remain deeply connected to the world's most dynamic region in the world -- Asia. So the United States becomes part of the regional architecture and tries to raise the level of ambition in terms of promoting economic integration in this area.

And third, I think with the TPP, the United States finally, finally began to gain traction in making sure that it would not be excluded from a binding process of Asian regionalism. And the problem had been that the United States had tried the bilateral

approach, and it was taking too much time. In some cases, some of these negotiations were not succeeding with Malaysia and Thailand. And what the TPP really meant was a shift of strategy and a successful one at that. And an endorsement of what is called the critical mass approach. So the idea is that by putting together this very attractive group of countries, then that creates an incentive for the others to join, and therefore you have a snowball effect, on a larger, genuine Asia-Pacific platform.

Now where are we in the TPP negotiations? I think we are now at the critical juncture. The next months will be really very important to watch. Why is this the case? Well one major development in the past few months of course has been Japan's entry into the TPP. That of course increases significantly the economic importance of the agreement. For the United States alone, Japan's entry tripled the economic benefits to be derived from this trade agreement, largely because there is no bilateral trade agreement between Japan and the United States and therefore there would be all these fresh gains of liberalization. But I think also Japan's entry helped consolidate the Asian identity of the TPP because now you had one very large Asian economy joining and creating incentives for others to do as well. And I know that, for example, in South Korea, there has been a lot of discussion and they seem to be very close to also joining TPP. So that has been a major major change in the composition in the significance of the TPP. But I think that two fundamental challenges remain. And I think one is regarding the international negotiations and the other one has to do with American domestic politics.

Regarding the international side of things, the international negotiations, you all have heard from the U.S. T.R., Mr. Furman that we are at the end game of the TPP talks, and the idea is that they should be finalized by the end of the year. I think in my own view, this will be very very difficult and challenging. I think that if you look at the list of outstanding issues, where no agreement has been found, there are very large differences among parties and these are indeed critical issues for the TPP. One of the most difficult issues is, of course, intellectual property, but also state owned enterprises, the enforcement of environmental standards, textile liberalization vis-à-vis Vietnam, and of course the proposition that you could open the Japanese market in terms of agriculture and non-tariff measures in a way which has never been done before in just a few months. I mean I think it's a lot to expect for this to be taking place in the next two and a half months.

But there's also, in addition to this international negotiation -- and I have one minute so I'm going to my conclusion -- there is of course domestic politics. And the fact is that there is no trade promotion authority in place. The fact is that Congress as you all know has been focused on the budget battles and they'll come to that in January, and therefore obviously, this exerts impact and exerts influence on the development of the TPP negotiations. So how will that move forward in the United States? How will the domestic consensus that Bill was referring to be built? It's also one very important issue facing the United States in the next few months.

Now let me end up with highlighting why it's so essential to nevertheless overcome these challenges at the negotiation table and these challenges regarding Congressional support for the TPP. Just think about what would happen if the TPP does

not succeed. First of all, you would deliver a critical, a very serious blow to the negotiations with Europeans. It would hurt the American credibility quite badly. But also, I think it would then make us be very worried about how do we move the negotiation, the trade negotiation, the trade agenda forward? As I was saying before, if we think that this is a new experiment, where we use trans regional trade agreements and this one doesn't work either, because no consensus could be found, then what are we left with? The bilaterals are not enough, the WTO is not moving, these were supposed to be the vehicles, so that would also be of great concern. And third, I think that it would also lower the incentives for other mega trade agreements to try to be more ambitious, to try to put more issues on the negotiation table and try to integrate their economies further.

And lastly I think it would be a tremendous blow to reformers in different TPP countries that have looked at these trade agreements as focal points, as commitment mechanisms, to try to move forward very important domestic structural reforms. So for all these reasons, I think that we should try to invest the political capital to make sure that the international trade negotiations can move forward and that the Congress can also come on board. Thank you very much.

YUAN PENG: Okay, thank you Mireya. For your very comprehensive interpretation of American view of TPP. Our last speaker is Richard Bush. He's a former Chairman of American Institute of Taiwan and a longtime observer of cross-strait relations. His topic is economic integration and cross-strait relations.

RICHARD BUSH: Thank you very much. Bill Antholis was wrong when he said the worst job is to be the first speaker after lunch. I think the worst job is to be the last speaker on the first panel after lunch, and the last speaker before the coffee break. I mean, I need coffee, but you all need coffee too. So before I get to Taiwan, let me just say a few things about the bigger picture and start with the biggest picture of all. And that is, I think that when the history of the post-World War II era is written, the most important development will not be the cold war and the end of the cold war, it will be the big transformation of the world economy through globalization. This is a really big deal. It will continue to be a big deal. And globalization has been exceptionally good for the Asia Pacific region, because we've seen, as you know, a vast expansion of trade across the Asia Pacific region and in the last few decades, a really stunning increase in relations within East Asia, our economic ties and trade within East Asia itself.

Now, as we all know, China chose wisely to join this trend in 1979. The Chinese people and China have benefitted greatly and more than anything else, globalization will contribute to the revival of China as a great power. And it is, globalization is contributing to the revival of Asia as the primary contributor to global GDP. In 1820, that was Asia's position. It was the leader. And it is being restored as the leader. So that's the very big picture.

Second I would say, I would note, along the lines of other speakers, that the intensification of economic interaction, across the Asia Pacific, has required the creation of institutional arrangements to facilitate it, and institutional arrangements of all kinds. And so states have gotten involved. These arrangements can be global, they can

be regional, and they can be bilateral. They can involve tariffs, non-tariff barriers, and regulatory structures and so now we see all kinds of examples. WTO, ASEAN free trade agreement, various ASEAN plus things, RCEP, US-ROK free trade agreement, TPP, and ECFA. I am getting to Taiwan, I promise you. As we've heard, these various approaches are not mutually compatible, but one can hope there will be a race to the top, a race to quality.

But the important point is that globalization could not continue without the role of states in creating these institutional structures. Now, the creation of these structures does raise a question. What's the relevant region -- I mean if you're going to have regional arrangements, how do you define the region? Do you define it in geographic terms, or more functional terms? And by function, I just mean you draw the circle of integration to include all the actors among whom the economic activity is the most intense.

Now I have a preference for the broadest definition of region -- essentially a functional approach. I think doing it on an Asia Pacific basis is better than doing it on an East Asia basis, because the United States is still part of the circle of integration with Asian countries, Asian economies. So, where am I? Okay, now, getting to Taiwan.

Taiwan has been something of an anomaly in this broad trend of globalization and the creation of an institutional architecture. Now it's not an anomaly concerning globalization itself, because sixty years ago, over sixty years ago, it chose to get on this train. And it has done very well. And it has become deeply imbedded in a variety of global supply chains. The anomaly has been that it has not been able to participate easily in all of the various institutional arrangements created to facilitate economic integration. And this is in spite of the fact that it is in Asia, and it is a part of these global supply chains. The reason -- there are some institutional arrangements that it has been a part of. WTO is an important example, the International Semiconductor Agreement of 2000 is an important example, but we know why it has not been able to participate in other arrangements, and that is that there's a political logic at work. And Beijing is worried for understandable reasons that Taiwan might use its participation in these arrangements to achieve, to pursue goals that would be contrary to China's interest -- two Chinas; one China, one Taiwan; Taiwan independence.

One other arrangement that Taiwan has been a part of, of course is ECFA, and this made perfect economic sense. ECFA has benefited both sides of the strait. It will be more successful as the two sides complete the various parts of the framework, particularly the agreement on trade and services and the agreement on trade and goods. And each side will have to implement well its various commitments.

ECFA raises an important question though, for Taiwan's long term economic future and prosperity. And that is, is it good for Taiwan's long term competitiveness, to deepen integration with only one major trading partner? -- that is the mainland? Or is it better for it to deepen integration with all its major trading partners, not just the mainland, but also the United States and Japan and so on? And this is related to where its long term advantage lies, just in the mainland market or in many markets

through its participation in global supply chains. I think Taiwan's answer is that it makes more sense, in fact it's mandatory to deepen integration with all major trading partners, not just the mainland, but also the United States and Japan. This is a broad consensus. Some believe this on economic ground, some more on political grounds. And so the question is, will Beijing continue to create some obstacles to Taiwan's international participation in this field?

The story is not completely negative. We have, hang on just a second, where am I? We have mainland flexibility on Taiwan's FTA with New Zealand, and with Singapore and hopefully that will continue. This is not really a question of names, because I think Taiwan is willing to be very flexible on the name it uses to describe itself and the name it uses to describe whatever arrangement its making. So I don't think that's an issue. I think the question is more how the mainland defines its political logic. Does it continue to worry most about two Chinas, one China, Taiwan, or Taiwan independence problem? But the reason that's understandable is that if any of these outcomes occurred, it would mean a setback to China achieving its political goals vis-à-vis Taiwan, which is unification.

But I also believe that the best way to, for the mainland to achieve its political goals is to win hearts and minds of the Taiwan people. And I think China's leaders understand this. So the question is, will China be better able to win hearts and minds by blocking Taiwan's entry into the international economic community or will it be more likely to win hearts and minds by being flexible, concerning TPP and other things? Clearly, the mainland has done a lot for Taiwan over the last three decades and I think there's a majority view in Taiwan that cross strait economic relations have been good policy. Clearly there are some things that Taiwan needs to do for itself to ensure its prosperity. And nobody else can help it do that.

But at the end of the day, I would argue that China is more likely to achieve its fundamental political goals vis-à-vis Taiwan by accommodating Taiwan's desire to pursue economic integration, not just with the mainland, but with its other trading partners. Thank you.

YUAN PENG: Okay, thank you Richard. Now, we have almost thirty minutes left before coffee break, so okay maybe we ask this gentleman.

[Missing Audio]

QUESTION: Okay, thank you. I have – I had a short time talk about TPP with Mr. Richard after the meeting in the morning. But, we didn't finish it because we hungry, we hurried to have lunch. So let's continue. As we know, the U.S. original intention in the TPP is to create, to build a free market, no trade protection, no trade barrier, so the U.S. is always keep the high level standard in the negotiation. But as Mireya mentioned, the U.S. wants to finish the negotiation in the end of the year. So I heard from the media, the American will make some concession in the next negotiation, especially to the Japanese agriculture products so my question is, is it true or not? Thank you.

YUAN PENG: Maybe we have two more questions, and we answer together. James?

QUESTION: Thank you. A couple of questions. One, if we take what Xie Feng talked about earlier this morning about the need of improving economic relations between the United States and China in the context of the changing global trading system as described by Mireya in her presentation, I'm just wondering how the panelists would view the prospect of a possible U.S.-China Free Trade Agreement. I know this is sort of a huge issue, but where, and at what point do you think this will become a realistic issue on the agenda of U.S.-China economic relations? The other question I have maybe, probably more for Song Guoyou, it's not about international trade, but being in Shanghai, I'm just curious about this Shanghai pilot free trade zone, to what extent this is going to create a different environment for China's foreign economic relations? And maybe thirdly, for Mireya, I don't know whether you have the answer to your own question about the future of the WTO, given the Bali meeting's going to take place and WTO officials seem to be slightly more positive about the potential outcome in Bali. And then perhaps, finally, do you think the TPP is a bit too ambitious, if, you know, at this point in time? Thank you.

YUAN PENG: Okay, my suggestion is that you raise this first two gentlemen's questions together, and then we'll have a second round of three, okay after we answer the question and then follow three inner circle. Okay. Please answer as briefly as possible. Thank you.

DR. SOLIS: Okay, thank you all. I'll try to be very concise. Regarding the first question. So, how does the United States get the agreement done and especially given that there's a concern that if it doesn't happen very soon, you could send a message of negotiation drift, if it really goes further into next year, then the mid-term elections also become a factor. So I think we can understand why the U.S.T.R. is sending a signal that this should be done relatively expediently and try to finish by the end of this year. I mean I think that this will require perhaps some degree of flexibility but, you know, where the exact line will be obviously, is not something that I am privy to that information. But I do think that, you know, with the negotiations with Japan, those five or six so called sacred commodities really consist of 586 tariff lines. So if Japan were to set aside all those tariff lines that would bring the tariff liberalization ratio to 93 percent. This might sound too technical, but the bottom line is that that does not cut it. That does not cut it for the TPP standard, where we're thinking perhaps of a 98, 99 percent, and within that, some degree of flexibility. So I think there's a very interesting discussion in Japan today, and a very well known agricultural politician, Mr. Michigawa in the Bali summit made some comments about maybe one way is that we begin to unbundle and look at the specific tariff lines where we could actually offer some liberalization, so you know, both parties need to come to an agreement and understanding. So there would be some flexibilities, but you don't want to have a slippery slope effect, because if you begin to contemplate exclusions and preferential treatment for sensitive sectors, then it could end up very well as a run of the mill agreement, and nobody wants to go there, so that's why this juncture is so important.

Then going to the future of the WTO, I think that the way I envision it is, first of all, in the dispute settlement area, I think that the WTO is still very very robust, and I think we have a very interesting phenomena in the sense these new wave free trade agreements, all of them have a rather sophisticated dispute settlement mechanisms. And governments still for the most part decide to take their disputes to the multi-lateral level, largely because it's a well-tested, well running machine but also because you then set standards at the multi-lateral level and there's benefit to that. So clearly, WTO is going to remain a very robust organization in that area.

I think what is interesting is that some of the spirit behind the mega FTAs actually is coming to the WTO. And I'm not sure that's necessarily good for a system based on the non-discrimination principle. What I mean by this is the critical mass approach is beginning to have further, I think, resonance in the WTO when you look at the -- I don't know what this noise is -- when you look at the negotiations on the services agreement, where the idea is that only countries that want to sign on traditional commitments do so. And it's very much the spirit of like-minded countries agree to higher standards of liberalization and we begin to see pockets of that in the WTO.

Then the prospects for China - U.S. FTA? I think that there's already, it's a very significant development that there is this bilateral investment treaty that China changes position to adopt negative list. To talk about liberalization of foreign direct investment because that's what the pre-establishment really means and that's a very positive step forward. But I think more than just a bilateral FTA, what we're thinking now is that if you let the two mega trade agreements run to their ultimate conclusion and then you have the RCEP framework and the TPP framework. I think then the next stage becomes to really talk about the Asia Pacific free trade area. And then that's going to be a very interesting negotiation because then you would have to see how you can reconcile agreements that have actually been negotiated under very different assumptions. The RCEP very much emphasizes differential development levels and flexibility and the TPP is a very different exercise altogether.

But I think we have to think about this sequentially, and that might be where we end up discussing things. Thank you.

DR. BUSH: James, perhaps the smoothest way for there to be a China - U.S. FTA would just be for China to see a value in joining TPP at some point. And then you're joining a larger grouping of sort of major economies.

YUAN PENG: Okay, let's welcome the third ring, this [was] the second ring. Ok, third ring, oh, we have three [people]. Mr. Jian, Mr. Nasahiro and Mr. Hu, one for each, one question for each.

QUESTION: Question for Professor Song Guoyou. According to your reports of international trading system is very important for prosperity of world economy. But also according to you it seems the rebirth of the international trading system, it's not, will not be a case, but missed, according to the suggestions you suggested. Because due

to the ineffectiveness of the WTO and Doha round and somehow to some degree the United States has abandoned this organization. At least look down [on] the WTO and Doha round. And for the China, what is -- sorry -- what do you suggested for China, those actions it seems also are beyond the WTO and the Doha round. So my question is, it seems you suggest to fragment the world economy and the international trading system cannot be built? So my question, how to rebuild or reshape the new international trading system, if the WTO cannot be updated? Thank you.

QUESTION: Actually, I have two questions. The other question goes to Mr. Bush, but that will keep for the coffee break, so my question go to Mireya. I understand that on the whole you kept some sense of optimism and have a strong wish to see the TPP conclusion. But I'm rather on the other side. I see that it is a strong impediment for that. That Japan indeed expressed its interest to participate in the negotiation but there is no firm commitment. The Abe administration has a large majority in the lower house and a simple majority in upper house. So he dare to risk the fate of the administration, he can, but that TPP is not highest [on the] agenda for him.

And in order to sell the TPP to the American people and Japanese people, the leaders of the both country sell the TPP as a measure to boost economic growth. But there is a lot of, many exporters, but no buyers, shall I say. So where does this demand come from? And we don't see any good reason. So certainly you are right to indicate that trade negotiation can be used to link the non-trade political objective including the structure reform of domestic structure from that, true, but America is less. America is increasingly weaker spender after the Lehman shock and you don't, your economy has less (inaudible) with negotiation leverage and then, how do you see that this sort of a decline of leverage to influence the prospect for the successful negotiation of the TPP? Thanks.

QUESTION: Okay, I also want to ask question about the TPP. So question to Mireya and Song Guoyou. I got a sense of optimism in this panel about TPP and RCEP. But in the media coverage about these two negotiations, you see more discussion about the political logic of these two negotiations. They link TPP with Obama's logic of pivot to Asia, so there is some competitive reasoning behind this, you know, and even some media portray this as contain China economically. So, but this panel has given me a lot of hope, say, two of you talk about the words of race to the top, not race to the bottom. So the two negotiations can be, can compete for good reason. And also China already says we hope TPP to be more inclusive and even complementary to each other, these two talks. And also Xi Jinping proposed to the Asia Pacific FTA. So my question is, in your view, how RCEP and TPP, if both can be successfully negotiated in two years, in three years, how they can be complementary to each other? And U.S. and China are in negotiation about BIT and in what way BIT can help China to have a bridge with TPP, or at least, reduce China's concern about future TPP's potential impact, negative impact, on China's economic activity in this region. So thank you.

YUAN PENG: Ok, maybe I suggest the other three raise your questions first and you can combine all those questions and answer selectively, okay, because time is very limited, Xinbo first.

QUESTION: Also to Mireya on TPP, originally there are three goals -- high standard, broad membership, and also fast speed. But now this sort of goal has been compromised because originally it was expected to finish the negotiation by late last year, it didn't happen, and then now by October this year, it's unlikely to happen, so this sort of goal has been compromised. Well, I wonder if this drags on, where this necessitates some compromise of other two goals, either you will lower the standard, or you will somehow, you know, make some differentiated treatment of the membership, for members who are ready to sign on, you can get on board first. For those you can be put on the second tier so that this train can leave the stage first. I don't know whether this is a possible option. Second would be, Richard who already mentioned, APEC. What's the role of APEC? Asia Pacific Economic Cooperation. You know, U.S. is in TPP, China is RCEP, but we are both in APEC. So next year China is going to host APEC. So at least we should make this look like a serious thing right? So how we can reinvigorate APEC, to work on issues that both China and the U.S. are interested and also those issues may not necessarily be hindered within either TPP or RCEP in negotiations. Any ideas?

QUESTION: Two questions, first for any of the three speakers, do you have hard evidence, or statistics that more free trade can have to create jobs? Because in the past decades, we have more and more free trade agreements, including between developed countries, U.S. and others, but the job situation become, looks like more and more serious, including in the U.S. So can you convince us, since you are so positive about more free trade arrangements, to ordinary people or even to college students, that they will be good for more jobs, especially good jobs? So do you have hard evidence to support that?

Second to Richard. Looks like the people in Taiwan in many years have not been happy with their economic development, including Chen Shui-bian years, Ma Ying-jeou [years]. So as [an] observer, what's your assessment of Taiwanese economic performance in years and their trends in the near future? Thank you.

QUESTION: Thank you. Two brief questions. First question to Dr. Solis. Given all the troubles, all the difficulties and impediments mentioned about TPP negotiation, at the end of the day, what kind of end game do you project according to your time line? Second question is for both Dr. Solis and Dr. Sun Guoyou. As you mentioned, the second stage of Korea - China FTA will begin early next month and if everything goes smooth, I think within the first half of next year, the Korea - China FTA will materialize. If that should really happen, then Korea will be the only country which has FTA with the U.S., China, ASEAN, India. If that is the case, then is an idea of Korea - U.S. - China FTA a possible scenario or is this simply a useless idea?

YUAN PENG: Ok, we have ten minutes left and maybe three minutes, three minutes for you two, and two minutes for you, and one minute for you. Okay. Lady first.

DR. SOLIS: Alright, three minutes and lots to discuss but great questions from everybody, so I'll just try to remember, there were so many, that I'm not even sure

where to begin. Let me start with Japanese politics, because that's something that I enjoy following very much. I mean, I do think that Prime Minister Abe is very very committed to the TPP project and I think that when he first made the announcement after the summit with President Obama, immediately everybody saw this as very bold movement. No one expected him to move so quickly before the Upper House election because given how much was at stake with the party not to do win that election, then Japan would still have this situation of legislative gridlock, and nevertheless he decided to move forward ahead of time and he actually -- his party obtained very handsome results in the Upper House election. And I think that all the eyes were on the most rural districts and the Liberal Democratic Party carried twenty-nine out of thirty-one of the most rural districts. And for me this whole exercise, what it showed actually was, that there is a fundamental weakness in the traditional agricultural lobby in Japan. And that is when the LDP moved towards the TPP, that left the agricultural lobby isolated because there was no other national party capable of championing, of endorsing the anti-TTP crusade. And I think that that has shifted in very important ways, the discussion about agricultural liberalization. It is not going to be a piece of cake, certainly, there are still many challenges to be overcome. But I think what will happen is that Japan will have to make some concessions in very important sectors but that will be, then, obviously, will come with some subsidies and some compensation. So that negotiation also will take place.

Now you were asking, given that the United States economy is not looking so bright, what are the economic benefits for Japan relative to TTP, the United States' power as a consuming nation seems to be decreasing and therefore where is the demand, you are asking. Well there are many different ways we can start peeling this onion. But first of all, the American economy actually is on the mend, so it's doing better. And if there is something that Americans like to do, it is to consume. So I would never downplay the consumer appetite of the American public. Third, I think that in terms of how you look what the benefits of Japan are, vis-à-vis the United States, the average tariffs are actually low, so it's not necessarily an export oriented trade negotiation, but it has to do a lot with the investment opportunities. The American market is still very important for Japan in terms of investment, but most importantly what the TPP awards Japan that did not get with its thirteen previous free trade agreements, is significant improved access in all other Asian economies that are part of the TPP. Because if you look for example at the Japan-ASEAN FTA, the results were incredibly poor. There is nothing on WTO plus commitments, nothing on services, investment, government procurement and this is what the TPP will bring, will deliver.

Moreover, one of the reasons why the RCEP got such a jump had to do with the Japan's entry to the TPP, so Japan was facing marginalization from trade negotiations just 18 months ago, and look where Japan is now today -- negotiating trilaterally with China and Korea, part of RCEP, part of TPP, now with the European Union, the horizon of trade possibilities expanded dramatically I think thanks to the trade agreement.

Then the political logic of these trade agreements I think, that's something that Richard Ku was asking about and I do get a lot of these whether it's part of a pivot, whether it's part of a containment policy, I think both arguments are wrong. Actually,

because if you look at the history, the chronology of things, the Obama government actually got the TPP negotiations launched much before it actually even talked about rebalancing. This is something that precedes the discussion about the military rebalancing towards the region, and I think it obeys to long standing interest of American government in making sure that high standard, binding liberalization commitments, that there's no line drawn in the Pacific, that the United States remains part and parcel of Asia. Those are long standing economic interests that were driving this position. I think it actually represented the shift, as I said before to the critical mass approach.

And I actually wrote an op ed on the containment -- I call it fallacy, because I don't think it carries any weight. I think that one of the goals of the TPP, one of the things that make the TPP attractive, as I said before, is that it's an expansive project. And therefore I think if China were to consider it in its national interest to join the TPP, to abide by these rules and norms, I think this would be an extremely positive development for the United States and the other TPP countries, and so I think that would be actually something to look forward to in the medium term.

DR. BUSH: First Chu Shulong's question about the Taiwan economy, economic performance -- I think it's been mixed. For the advanced sectors of the economy, the people who do advanced manufacturing, services, logistics and so on -- it's been very good. And it's generated good jobs. There are other sectors that are not doing so well in part because they're not terribly competitive -- certain parts of the service sector, agriculture. And this weak performance just reflects the struggle that it takes to maintain your competitiveness in a quickly globalizing economy. I think the weakness is not a lack of entrepreneurship, but it's in other areas. First of all, it's the need to do a better job on cultivating human capital, particularly through the education system. It needs the reduction of regulation by government over economic activity and it requires fixing the political system, which is, you know, I think not conducive to sound economic policy.

On the issue -- where did Xinbo go? On APEC -- I'm not sure what can be done about APEC. I think that it can support the liberalization that's going on in other sectors, but -- and there may be some functional issues where it can play a role, but I think it's a challenge every year to make it relevant.

SONG GUOYOU: Okay, I want to answer the question about Shanghai pilot free trade zone and other questions. Actually for Premier Li Keqiang, Shanghai free trade zone is critical in the policy to achieve his ambitious reform agendas internally. The new administration of China knows exactly that the total trend of international trade or international economy is less regulation, have standard, and more freedom. They know exactly. But there are lots of obstacles at home facing them. So how to tactically choose ambitious agenda, to transform China? So Shanghai pilot free trade zone is a very good window to test, to experience, to have a new thinking. In this room, everything is free, as long as the investment is in the least negative, something like that. If there is no restriction of such investment, you can invest it. And this room, you can have everything a more RMB abroad investment. You will see more flexible exchange rates of RMB. And you will also see more openness of service industries, et cetera. And by the way,

it's not a long distance from here to [the] free trade zone, actually, it's ten miles from here to the Waigaoqiao free trade zone. If you have time, you can visit there. It's free. And also for free trade zone, also Chinese new administration knows exactly that TPP is inevitable -- not in 2014 or 2015, I mean in the long run it's inevitable. China has to embrace that. But TPP has a long and has a very higher standard, and how to meet it. So Shanghai pilot free trade zone and other reform regiments is preparation for China to meet those higher standards and to show its resolve of more openness. And also, it's relevant to BIT, bilateral trade treaty between China and U.S., China has a huge foreign exchange reserves. It's more than 3.6 trillion. And one third of those foreign exchange reserves goes to America's bills, treasuries, et cetera. It's not the worst deal but also it's not the best deal. China wants to have a fair treatment of when China's companies invest in the U.S. However, the U.S. draw a line, a very strict line, to exclude China's FDI in the U.S. China wants to have a fair protection of its own companies' investment in the U.S. in the future. So it's a problem.

And last question is about smart Korean -- yes, Korea has a very very good, very favorable position in Asian Pacific FTA negotiation and another country is Singapore. Actually, Singapore has more FTAs than that of Korea in this region. So we hope Korea can play a more constructive role, to persuade both China and the U.S. to have a stable or controllable FTA competition and play its unique role combined to bridge U.S. and China. And to initiate your proposals, to trade off American standards and the China standards, to have, to forge a new Asian Pacific Free Trade Zone. Thank you.

YUAN PENG: One minute.

MR. ANTHOLIS: So having been scolded for, maybe not scolded, but cautioned for being too death focused, I'm going to try to end on an optimistic note, but it's a cautiously optimistic note. And the optimistic note is going to some of the challenges that I spoke about. To the extent in the major industrial democracies, that there could be a re-forged political consensus in favor of trade, it's around these high concept agreements. And that's where you see this sort of competitive regionalization of a Europe agreement, and an Asian agreement. The challenge is not only whether or not the emerging markets will be drawn into it and see that as not just economically advantageous to do it but politically feasible to do it, but also the fact that you are then leaving behind a number of other countries from the liberalization game, who will be having to race even harder and faster to catch up with the high standards approach that may leave them out. And I think for the global trading system, what you could then have is, essentially a couple of either hardened silos or linked silos among advanced industrial countries with a few emerging countries choosing to race ahead, but a number of other countries left behind and then that becomes another challenge down the road for the global trading system.

YUAN PENG: Okay, thank you and sorry for -- sorry to be too strict concerning time. And finally join me to thanks all of us for excellent speakers. Thank you.

[PANEL 3]

JIA QINGGUO: Okay, let's resume. This panel is going to talk about regional security in East Asia. Again we have a panel of distinguished scholars. First is Professor Chu Shulong of the School of Public Policy and Management of Tsinghua University. He's going to talk about China's vision of a secure East Asia. And then we have Professor Chung Jae Ho. He's Professor of Department of International Relations, Seoul National University. He's going to talk about the Korean Peninsula and the outside powers. And then we have Professor Wu Xinbo. He's the Director of the Center for American Studies at Fudan University. He's going to address the issue of maritime disputes and regional security. And finally, last but not the least, we're going to have Professor Michael O'Hanlon. He's the director of research for Foreign Policy program, and he's also a Senior Fellow at Center for Twenty-First Century Security and Intelligence at The Brookings Institution. Again, we are going to assign ten to twelve minutes for each speaker. Professor Chu Shulong please.

CHU SHULONG: Thank you. And thank you Xinbo and Richard for giving me the opportunity and the title they gave me, talking about China's vision of security for a secure Asia Pacific. And talking like the topic, my observation, the vision now is quite troublesome, the Chinese vision, on security situation: it's quite insecure. As I have observed and know, and most of the Chinese people, I mean, officials, academic scholars and the general public perceive that the East Asia security become much more serious now in recent years than a couple years ago. Tensions become higher almost every year in East Asia. The major factors cause those uncertainties and the troubles are as following.

First to most Chinese, it's because American rebalancing strategy, or pivot strategy, cause problems. And second, I think some, at least, some Chinese understand, too many other Asians, the serious situation is because the rising China, including rising Chinese economic power and military capacity and activity in West Pacific. So the words to define Chinese foreign policy security behavior in Asia, the best word is assertive, and this is the troublesome to them. Third is territory disputes among a lot of countries in East Asia. The fourth, I think, at least to Chinese understanding, is the right wing of the Japanese politicians, current government officials, leaders and these tensions within China and Koreans. So those are major facts or elements of the insecure situation in East Asia. Let me address some of them. First, the Korea. I think most Chinese understand Korea is a serious security threat to South Korea, R.O.K., and to U. S. But there's a different perception about the North Korea threat between China and at least South Korea and the Americans. And the Chinese see the serious situation in there's a skirmish between February and May when North Korea was crazy and provocative in their wording, threatening. Then Chinese president Xi Jinping and Foreign Minister Wang Yi issued a serious warning to North Korea. So that's a quite unusual in six decades. Those are strong words. But after that period, now from some tale, I think Chinese perception about North Korea or Korean Peninsula security become much more relax. So as of now, most of the Chinese do not feel the serious concern that R.O.K people and Americans have about the North Korea's threat now. We agree it's a problem, but we do see them, North Korea, pose directly threat to China, to most of Chinese, or to the whole region,

East Asia. Even they pose a serious threat to South Korea, a growing missile threat to U.S. So this is a different assessment about North Korea threat between China and the other countries in Asia.

And the second about U.S., I think a major concern of most of the Chinese about East Asia security is U.S. strategy. This a great concern. Like America increasing military deployment in Asia Pacific and American strategy targeting China and America position some words supporting or encouraging other country like Japan, Vietnam, or Philippines, in our territory disputes. And other, American continued arms sale to Taiwan. I think to most of the Chinese, for decades my research, my work, that we know that most of the Chinese, when they think about national security threat, of China, of Asia Pacific, first and most, that come to U.S. Most of the Chinese would regard, I think that including Chinese military; regarding the U.S. as the most serious, greatest security threat to China and that then to East Asia. But I do not agree with this perception. I think this is wrong. Because when we look at history, I think from this end of U.S., two hundred and thirty years, more than that, the history indicates the U.S. never -- there was only once the U.S. invaded, attack China. That is 1900 year. Boxer movement, U.S. joined other 7 countries in a short period of invasion of China. That's only once in more than 200 years of U.S. history. And after that, now is more than 100 years, including P.R.C. 64 years, U.S. never invaded, attacked China. I think we Chinese should respect this reality, this fact. Even in our minds we always think the U.S. is the biggest threat to us. But in fact, it's not. It has not been attacking China or invading China. So I think a core of Chinese people to think harder about their illusion, their imagination, about American threat. And the rebalancing strategy, I think we should take this as normal, because countries always try to balance others. Not only U.S. wants to balance us, we want to balance Japan, U.S. too. And a small country in South East Asia wants to keep a balance between U.S. and China and Japan. So I think that's normal strategy. So we should take as normal, not as something special. And we should see that why U.S. engage rebalancing in Asia for past three years. But at the same time U.S. relations with China have been improving. Political relations, economic, including military to military relations. So this is also fact. So we should recognize. I think it's quite normal for U.S. to see a growing China's capacity and influence, then try to deal with this new development. I think for any country would do that. That doesn't mean there's need [for] confrontation. For Chinese rise, that a lot of concerns our surrounding countries. Certainly there is something wrong perception like, I think eighteenth party congress and Xi Jinping leadership, foreign policy principle, has not been changed with the seventeenth party Congress and the sixteenth party Congress. This is still a piece of independent foreign policy, a piece of development of when we go, so as a guideline theory there is nothing new. But, we Chinese should recognize, there are some things change of our country, like the growing capacity, not only the economy, but the military. Growing military, not just the capacity, but the activity. See how many times our naval ships, fighters, going out in Western Pacific now, increasing numbers. Yes, there's nothing wrong for that. We take activity in the public sea and air, China did not, have not invaded any other country. But, if we must consider, if U.S. aircraft carrier, Japan is never safe, came sailing around our seas, what our people would think, what our news media would report. So yes, there's nothing wrong to have a greater capacity, activity, but at the same time Chinese leaders and government people should address others concerns at the same time, and through CBMs, through code of conduct talks, code

of conducts, through transparency to let others feel secure, so there's a lot of things China should do.

Last is Japan. I think there is a growing Chinese thinking and attitude which regard Japan as the most dangerous nation, the most serious threat to China and to Asia. I think that Japan is going to replace U.S. as enemy number 1 to China, to Chinese perception for security, for various reasons, good reasons. First the history - Japan did a horrible history to Asians and that has not recognized its wrong doing. They hesitate. And the second, Japan already, clear from Prime Minister Abe's words seems like, Japan is not satisfied with the regional and the global system set by the end of Second World War. Japan wants to challenge some more about the global and the regional system -- regional and global order.

And the third -- Japan is not satisfied with itself. It's a Constitutional constraint set by Americans, that want to change the Constitution. As the Constitution constrained about Japanese foreign policy and defense policy, military capacity, step by step. And the fourth should say Japan has a lot of advantageous strong points we should lend, but Japan also has weakness. I see that the national culture has a problem. That is isolated national culture, relatively closed, narrow minded mindset, and I say this with some evidence. Now, Japan is a democratic, free country, rule of law country, there is no doubt about that, strong country, advanced country. But the best, strong, advanced, democratic rule of law country cannot have good relations with all of its neighbors. Russia, China, Koreans. Japan has disputes, territory disputes with all neighbor countries. Russia, China, Koreans. For 100 years, Japan has attacked, even invaded all of its neighbors. So I think I call Japanese to think about it. Think about those basic facts, fundamental facts. And now I think it's nonsense for Japanese leaders, people to argue China's threat. Because for 2000 years, China was a strong country than Japan for most of the time. And there's never a time China invaded Japan. And Japan only has been a little bit strong or somewhat strong than China in the past 150 years. Then how many times Japan invaded, attacked China? So who is the threat to whom? I think this is crystal clear. So Japanese should stop their nonsense. To quote China is a threat. When in fact it's not. Its Japan is a threat to China and to other countries. But I'm not saying every Japanese, including my colleague up here, is a bad person, no, a lot of Japanese individuals are good. Especially those, my Japanese students at Tsinghua, they are good. But as a whole, I do think Japan has something to think about, your culture, your integration with the outside world, including Western countries, Asian countries. Should have fundamental thinking about your relationship long term. Yes, thank you.

DR. JIA: Thank you very much Professor Chu. And next speaker is Professor Chung, please.

JAE HO CHUNG: Thank you Qingguo. I'd like to start by echoing what others have said about organizers, efforts by Xinbo, Richard, as well as Kevin and other members of the staff on both sides. I was asked to talk about the Korean peninsula and outside powers. I think I have taken up the boldest assignment than anyone else.

Let me first talk a little bit about America's rebalance to Asia as a sort of a

structural, strategic environment for the Korean peninsula. I know it's not about a choice between Asia Pacific and the Middle East, or between the Pacific and the Atlantic. I think it's more about the America's design to use its pre-eminence to shape the future order and in order to construct a more friendly environment for U.S.-China relations, so as to minimize the conflict between the two.

But at the same time, many countries in the region, I think most countries in the region, tend to see the rebalance as potentially alarming because it's also inviting some reactions on the part of China. On one hand China's so-called taking a moving westward or xi jin, so filling in the vacuum created by the United States in the Middle East and West Asia. And on the other hand China is also employing a sort of appeasement tactic called the new pattern or model of great powers. I like Qingguo's translation better than Foreign Ministry's. After all, I think all these action, reactions on the part of U.S. and China, creating a stage for a fierce -- more fierce strategic competition between the two. And I think that strategic competition is taking place at least at five different levels.

On the diplomatic level, the U.S. is continuing with its emphasis on alliance making, consolidating alliances and making new friends in the region. On the other hand China is emphasizing peaceful rise. In other words, the end game of its rise will still be peaceful, not only in its process, but also in its outcome.

In terms of a strategic area, the U.S. is emphasizing pivot to Asia, but China is continuing with its peaceful rise as if U.S. rebalance is unnecessary thing for the Asia.

On the economic side we have talked about TPP versus RCEP.

On the military side, U.S. has been emphasizing air-sea battle as a concrete measure to counter China's strategy of anti-access area denial strategy.

And on the area of value, the U.S. emphasizes universal values as opposed to a peculiar, specific value as applicable to a particular country, that is espoused by China.

So American people on one hand are reassuring to the region, which is to a certain extent concerned about the future affiliated with the rise of China, or rather, a fast rise of China in the region. On the other hand it's alarming, because it is creating a stage for more fears, strategic competition between the two. On the other hand there is another dimension to it, that is smaller powers and middle-sized powers in the region are concerned because if U.S.-China relations get too good, then what is called the daguo xietiao or great power concert, may bypass the intentions of many smaller powers. And I think that sort of sentiment is particularly prominent in Korea, which has experienced a lot of that in the last hundred years.

Now let me talk a little bit about the regional dynamics that revolve around the Korean peninsula -- first North Korean issue. Twenty years ago, a lot of

people asked questions about whether North Korea had the weapons-grade plutonium or not. Ten years ago, people asked the question about whether North Korea had two to three or four to five nuclear warheads. Now nobody asks that kind of question. Everybody seems to take for granted that North Korea is a de facto nuclear weapon state, whether U.S. gives that status to North Korea or not—that doesn't really seem to matter anymore.

Is time on our side? I think many of the countries in the region act as if time is on our side. But I don't think time is on our side. I was in a seminar recently where the Dr. Siegfried Hecker, the former director of Los Alamos Laboratory, he said CVID is no longer a possibility: a complete, verifiable, irreversible de-nuclearization is not a possibility any more, unless you kill everybody who was involved in the program. You cannot do that. So North Korea can always go back to the stage one, stage two and then carry out the (inaudible) tactics all over again. So where does that leave South Korea? And I think this is the question that we need to think seriously about.

Obviously in the first session, Six-Party Talk, was the only alternative that we have, that might be the case, but the question is whether the model of operation of Six-Party Talk was reasonable or China was acting as the honest broker, as the chair country of the Six-Party Talk. A lot of Chinese friends tell me the Chinese position on North Korea nuclear position is *bian lian bu fan lian* (變臉不翻臉). So you change the color of face, but you never turn your back away. So if that continues, I think North Korea will never learn a lesson. I think five years, ten years down the road, I think we'll have a very serious problem, probably more serious, which we can never be able to resolve.

Now the Japan issue. Ten years ago I would probably disagree with what Chu Shulong said. But at the point of 2013, I tend to agree with Chu Shulong to a considerable extent, because ten years ago I think the so-called rightist, the ultra-rightist politicians belonged to a small segment of Japanese politics, but they don't -- they are not a minority segment any more. They are mainstream and major players in Japanese politics. And let me share with you one piece of very important statistic, that I think important. The percentage of high schools in Japan which adopted rightist, or ultra-rightist textbook was 0.04 percent in 2000. Last year the percentage was 4 percent so a hundred fold increase in twelve years. So what is happening here? I think the NGOs and intellectuals in Japan are not performing their duties well. If that continues, maybe in five years, ten years from now, it's 14 percent. Of course, some people say 4 percent very low, 14 percent very low. But those 14 percent people, young people, will never grow up learning the right history. So when they take up the important decision making duties in thirty years, I think Asia is in deep trouble. That's my view.

Now China. Korea-China relations hit the bottom two years ago. And since 2012, which was last year, was the twenty year anniversary of China-Korea normalization, so the new atmosphere began to set in. And then the atmosphere completely changed in June this year because of the Park Geun-hye-Xi Jinping summit. So now high expectations, high hopes, very positive signs, as if everything's all right. But let's not be deceived. Because I remember the first year when Kevin Rudd became the

prime minister of Australia and he was the first Australian prime minister who could speak Mandarin. And a lot of people talk about in Korea that Park Geun-hye is the first Korean president to speak Mandarin. But I don't want Park Geun-hye to end up like Kevin Rudd. So let's not be deceived by what is happening.

Now the United States, two issues. The United States' recent sequester, government shutdown, are creating an enormously negative image in Korea at least. I don't know about other countries, but one headline in a major newspaper said "hegemon on decline." "They are even shutting down the government." Whether or not that is true, or whether or not it is important, it is creating an image, and a lot of public opinions -- I mean, democracies feed on public opinions. And public opinions actually create and influence foreign policymaking. So let's not forget this.

And another thing is territorial disputes. United States is not an innocent bystander in many of the territorial disputes in East Asia. Let's not forget the contents of the Treaty of San Francisco in 1951.

So I think-I forgot the name of the author-but there was a very good article in Foreign Affairs in [2007], written by a former journalist, but it's entitled "The Politics of Memory," in Foreign Affairs in [2007]. It reminds many people, not only in the States, but in many parts of Asia, of what we need to think about at this particular point.

So I know, in conclusion, I know politically it is much more beneficial to be on the optimistic side, but I would like to end with a rather pessimistic note. Overall I think the uncertainties and de-stabilizing factors far outweigh the positive signals despite what has been discussed in the previous sessions. And what can East Asia do? Or what can Northeast Asia do? What can multilateral and unilateral networks play in this era of crisis? As I see, there are four multilaterals: U.S.-China-Japan -- it's not working, it's not even present. Korea-U.S.-Japan -- two alliances and one partnership, or some people say it's a virtual alliance, but it's not working because of the problem that I mentioned earlier. And even if it's working, Korea-U.S.-Japan multilateral only work on hard security issues. Next one is Korea-China-Japan. A couple of years ago, a Trilateral Cooperation Secretariat, a TCS, was set up in Seoul. But they are only working on soft issues. They do not dare to venture into a hard security issue, so it's not working very well either. The only remaining option is Korea-U.S.-China. But will U.S.-China consider Korea as an equal partner in this? So perception is -- perception issues is probably the most important impediment in this.

Down the road, the biggest question is whether the American -- despite all those good things talked about today about U.S.-China relations -- will American exceptionalism be reconciled with China's sinocentrism in modern day version? If yes, then we're all at ease. If not, the question is, every country and most countries in East Asia will be asked a very uncomfortable question -- that is, are you with us or against us? And no country in the region will like to be asked that question. So I think which of the country ask that question first will be considered as a greater threat to the region, so I would like to end with that, sort of pessimistic.

DR. JIA: Well thank you very much Professor Chung. You raise a lot of questions and I realize that for every question, your answer seemed to be no. Okay, now Professor Wu.

WU XINBO: Thank you, Chair. Good afternoon everyone. My topic is regional disputes, maritime disputes and regional security. Well, as we all understand the maritime disputes in East China Sea and South China Sea have very complicated historical as well as domestic political factors. But I'm not going to expound on those factors, but rather, to analyze from the perspective of regional security in East Asia.

So from a regional security perspective, I think first and foremost these disputes represent a reaction to the changing power balance in this region, real or perceived. If you think about the Diaoyu island dispute between China and Japan, when China was weak and defeated by Japan in 1895, Japan took it away, right? Brought these islands under its control. And today, when Japan decided to so-called nationalize the Diaoyu islands last year, that was a reaction to perceived rising China, because Japan's concern was that China is rising and is expanding on the maritime, so Japan should take some preventive actions to prevent China from undermining Japan's so-called de facto control of the Diaoyu island. So in both cases, Japan's action represented a reaction to the power balance in this region, one, the first one, was because of a weak China, and the second one was because of a rising China.

The same applies to South China Sea dispute. The disputes over South China Sea cropped up in early 1970s, but the status quo has been able to be maintained over the last several decades. Why suddenly last several years this become a hot issue? A hot and hottest issue? I think partly because some other countries like Vietnam and Philippines -- they perceive a rise in Chinese activities, both naval and civilian in this part. And their concern is that time is on China's side. So if they just keep shoving the disputes to the future, maybe they are losing their bargaining chips. So instead of deferring this issue to the future, they would like to push for some kind of solution of this issue, so that at least, they can keep what they already have in South China Sea. So again, this is also a reaction to the perceived rising China.

The second factor I think is related to the major power strategic level between China and the United States. Because the intensification of the disputes coincided with Obama's rebalance to Asia strategy, this was not just a pure coincidence. I think the United States does want to use those disputes, especially the South China [Sea] disputes to constrain China's expanding perimeter of maritime activities in recent years, especially in South China Sea. So this dispute is not just the pure territorial or sovereign dispute, but rather have involved the major power strategic rivalry in this particular region, so that further complicates the situation.

The third perspective is I would call the "growing pain" of a rising China. In the last several years, China openly declared it wants to turn itself into a major maritime power, *haiyang qiangguo* (海洋強國), especially if you look at the working report of the 18th Party Congress. So this kind of goal does have some impact on China's policy. For example, in the past even though China claimed sovereignty over Diaoyu

island, or the South China Sea disputes, this claim was largely rhetorical. China didn't do much things, do much to endorse those claims. But, in recent years, I think China thinks it should do more to assert its claim. And also, in the past, China maintained a kind of unilateral self-restraint. For example, over the Diaoyu Island, we wouldn't allow our activists to go to the area and we wouldn't send our law enforcement boats to this area. So that's what Japan called the de facto control by Japan. This kind of de facto control by Japan was based on China's unilateral self-restraint.

But now, China, partially in response to Japan's so-called nationalization of the islands, decides that it's no longer feasible to proceed with unilateral self-restraint on those issues. So China has become more active and formal in protecting its rights in those areas in both East China Sea and South China Sea. So that's the perspective about those disputes.

So the second point is what are the implications for regional security? Well, even though there are some, a lot of, worrisome factors getting involved in the old issues, I mean the disputes are old issues, but I don't think this will cause large scale war and major military conflict between China and other claimants, even though some friction, even small scale, low intensity conflict, may be inevitable, either intended or not. But I don't think war would be likely, simply because all the related parties, in my opinion, are either unwilling to fight, or dare not fight, or both, including the United States. I don't think the U.S. is ready to fight for Japan over Diaoyu islands with China, or the Nansha Islands for Philippines with China. So if none of the parties is willing to fight or dare to fight, then you don't have to worry about large scale military conflict. However, as I mentioned, some frictions and even small scale conflict may occur as a matter of unintended actions.

What I am more concerned is the second implication -- that's for regional stability and political security relations among regional members. First, these disputes already have some negative impact on China's relation with Japan, with Philippines, with Vietnam and even with United States. Especially, I think, China-Japan relations suffered most. Five years ago, it was unimaginable that overall China-Japan relations will somehow become a hostage to a small, barren, useless, no-value island, right? So that's unimaginable. But today it is just the situation. And also, China-Philippine relations, at least political relations, were also strained over the last several years. China-Vietnam, originally strained, but we have seen some improvement recently. And finally, China-U.S. certainly, the maritime disputes have become a issue on bilateral agenda.

The second dimension of the impact is of course, the U.S. has been able to expand its security cooperation with its allies and as well as with its security partners. So to some extent, the U.S. took advantage of these disputes to repair its security ties with two allies - Japan and ROK and then, even Philippines, and then expanding security ties with other region members such as Vietnam, Singapore, and even India.

And the third dimension is that the regional countries' members -- Japan, Vietnam, Philippines, Australia -- they have strengthened their security relations, partially in responding to a rising China. So when Shulong talked about this kind of

major power balancing, what's interesting is that in the past, when we talk about balancing China-U.S., China-Russia-U.S., China-U.S.-Japan, but now you see a kind of indigenous balancing among the medium and small countries against a rising China, partially facilitated by the maritime disputes. So if this is going to be a major structure change in regional security landscape, it will have a lot of long-term impact on regional security.

The third point is what can we do? What can we do? We cannot just sit here and talk about these issues and be pessimistic. Let's try to come up with some ideas about how, if not solve these issues, at least if we can manage those issues. First I would say we should be rational. We should be rational. The nationalism is high in this region, in almost every country. So not to be hijacked by nationalism and also not to use this issue for the purpose of domestic political agenda, because you know some people suggest -- why is it so difficult for Japan to acknowledge there is a dispute with China over the Diaoyu islands? Well, people say, maybe just Abe wants to maintain the tension over this issue so that he can push his domestic agenda of constitutional revision, so that's exactly what he needs. So if that is the case, I think it's going to be hopeless.

Second, we should be cautious, even though, as I said, there is unlikely a major war, but the conflict is still possible. So even though we have high rhetoric, but we still have to be cautious in actions, not to allow unintended conflict and frictions to occur because they may escalate out of control on certain circumstances, not to say if one party really wants to move events in that direction.

The third recommendation would be, we should be flexible. Some of the issues involve two sides. Then let's stick to a bilateral approach. Some of those issues, they involve more parties. Maybe we can try a combination of both bilateral and multilateral approaches, as long as they work, the format doesn't really matter.

So recommendation number four is that we should be creative. I have been thinking about the difference between land dispute and maritime dispute. And the big difference is that for the land dispute, you can just simply draw a line. It's easy. But for maritime dispute, that's difficult. You know, fishes, they move around, right? You cannot stop fish from crossing the line, which doesn't really exist. And also for the oil and natural gas, I mean they are interconnected. If you drill from this side, you get from that side. So maybe for these kind of issues, instead of dividing, we should explore some joint cooperative approach to this issue. And even for some issues, we should get beyond the traditional concept of sovereignty. And sovereignty is just a historical phenomenon. It's not something permanent.

And finally, especially relations for, relations between, major powers, including China-Japan, I think we should be very clear that the benefits of cooperation outweigh the cost of confrontation and conflict; so that means we should not allow overall bilateral relationship to become the hostage to a single, useless island. So it's really up to the political wisdom, but also a willingness of the two leaderships to make the right decision. So with that, I'll stop here. Thank you.

DR. JIA: Okay, thank you very much Professor Wu. Now Dr. O'Hanlon.

MICHAEL O'HANLON: Thank you all, and I have the great job of being the last speaker of the day, and we're going to have a great conversation I know, in just a few minutes. It's been a real treat to be here all day. I want to, as my colleagues have, thank our colleagues, but especially the Fudan University and everyone else who has hosted us and been so gracious and it's just a great experience to be up here with all three of you as well. I am going to begin however, having said all of that, by a couple of small disagreements with Chu Shulong and Professor Chung just to spice things up to get ready for our conversation, although I very much appreciated their arguments and generally agree.

But I would just say a couple of things, and I'll begin with this newspaper article in Korea that suggested that the United States is in decline. A lot of us are very troubled by a number of things that are happening in our country. But I'll just remind you, at the same time, that we are still spending 4 percent of our GDP on our military, which by the way is a higher percentage than any other country represented in this room, by quite a bit--and that's mostly a credit to you. I don't want to encourage more spending globally, but I -- and we're trying to bring ours down, but 4 percent of a \$16 trillion GDP is still a lot of money.

Now you may say, well that just proves that Americans are warmongers. I would remind you that much of the world might have disagreed with specific decisions about our policies on war in the Middle East, but nonetheless, we are taking on, in Afghanistan today, a threat that most countries recognize to be a threat. And I remember once when I first got off a helicopter in Helmand Province, Afghanistan, and it was about 110 degrees and it was desolate as far as the eye could see. Much worse air than the worst day in Beijing, I promise you, sand in my face, and I got off with a couple of friends. So we just looked at each other and we said, "this hegemony isn't what it used to be." And so, anyway, I'm making a couple of points here.

One, that we're still pretty strong and committed. Two, that I hope it's partly in service of goals that many countries would agree with, and I know that you really haven't disagreed with that main point, but I just want to remind you of that. Also, since we don't have a lot of Japanese friends here today--we have a couple, but we don't have a lot on the panels to defend themselves--I will, even though I have some concerns myself about certain aspects of Japanese behavior, I will still remind everyone that they're only spending 1.02 percent of their GDP on their military now, after the big Abe buildup. And they have done quite well since World War II in their general policy of strategic restraint. And I think it's become a durable part of their political dialogue and system. I understand your concerns at this table. I'm not suggesting that everyone has, or the Japanese have been faultless, but I do feel a need to make at least a brief note of defense of our good ally and all of our good friend.

Finally, on the point about not asking to choose sides. Professor Chung made this point, that it's better not to ask, and I agree. But I also think that we've learned, and there are people who, including, I'm sure, Professor Chung who understand the

history of U.S.-Korea relations better than I do. But in 2005, the Bush administration asked for a so-called strategic flexibility in Korea, which was not necessarily asking the Koreans to choose sides in a future war, but we realized even that language was probably more than we should repeat. And since that time, as I understand it, we haven't really reused that expression. And so I agree with you. But I think it's actually the policy of the United States to try to live up to that standard that you mentioned, of not trying to create any more zero sum competitions than necessary. Okay, having said all of that, now if I could, I would like to say a couple of -- one last thing on budgets, I'm sorry.

This is just by way of making some of the points that have been raised earlier. As much as we have tried to rebalance towards the Asia Pacific in some ways, we have been cutting our defense budget in others, and I've actually tried to do the math to compare the effects of increasing presence in the Asia Pacific through the rebalance, while simultaneously decreasing it because of defense budget cuts in the United States. And my overall arithmetic is: they roughly cancel out.

In other words, the rebalancing is more about a reaffirmation of American interests, a reengagement of our intention, than about any substantial re-alignment of our military capacity. It's a point that Jonathan Pollack made this morning in specific reference to the Marines in Australia. I think he was a hundred percent correct. And I would just like to reinforce that point. So for some, that may mean we're not doing enough; for others it may mean that we've done too much. But I would just like to argue, it really is not very much in military terms. We can talk more about that later if you wish.

But now I'd like to make really just six points that are coming out of a book that I've had the great privilege of writing that's almost done now, with former Deputy Secretary of State Jim Steinberg. And as you know, Jim Steinberg, a friend of many of ours, a former boss of Richard and mine at Brookings, and now the dean of the Maxwell School of Syracuse University, was quite involved, as were Jeff Bader and Ken Lieberthal and Richard and a number of others here and elsewhere in America, in Asia Pacific policy over the years.

And Jim came out of his job nervous about the U.S.-China relationship. I think he may be a little closer to this panel than to the morning tone. Although I will let him speak for himself when he next visits Shanghai. But in any event, the book's goal--and we call the book "Strategic Reassurance and Resolve"--and so that comes partly out of the speech that Jim gave in 2009 when he was deputy secretary, and part of the goal is to look for ways for both countries and their partners and allies, to figure out how they can sort of dampen the competition between each other, without expecting either side to give up on its resolve in defense of its commitments. So we're looking for ways to stay strong, not just for the United States, but for China, but to do it in a way that tries to take a little bit of the edge, a little bit of the energy, a little bit of the arms race spiral dynamic out of the competition.

And I agree with a point that Richard made this morning, as well as the President of the University, in saying we're going to need a lot of good ideas on how to do this, and other things in the relationships ahead, because Jim and I do not claim that

we figured it out. We have about twenty recommendations in the book, but they're all designed to take inching baby steps or moderate steps towards this goal of strategic reassurance. None of them will be adequate and you won't even like all of them, so let me now just mention a few of them, in the spirit of trying to get some ideas on the table. And we think this is going to be the sort of thing both sides, and American allies and Chinese partners, will have to look to try to do as well. And in the interest of brevity, I'll perhaps not fully explain them with apologies in advance.

Let me begin by saying there are a number of -- before I get to my six, my list of six -- there are some ideas here that we think are useful but not particularly big ideas or not particularly dramatic. One would be to build on the idea that Xie Feng mentioned this morning about the negotiations on how our militaries interact when they get close together and we would suggest building on the U.S.-Soviet [Incidents at Sea Agreement](#), and maybe even using that as an exact model. Another example of where we could at least begin some small momentum is in military operations in space and we would suggest that both sides would agree not to have any explosions or collisions above 1000 kilometers altitude. Both of our countries have sometimes had to cause explosions or collisions below that altitude. Perhaps we will again in the future. If a satellite fails or if a missile defense system needs to be tested, there's no need to test above that altitude and we all benefit by keeping debris out of space, because we all need to use space for commercial and scientific and military reasons, and so this is an example of an arms control agreement that could be generalized to other countries as well. It's not a big deal, but we think that it would be useful.

Now let me get to some of the ideas that may be perhaps a little bit bigger. And I'll begin with the ones that are probably harder for my country, but I'll work towards ones that are a little, perhaps, harder for China. The idea of the book is not to try to punish each country equally. The idea is to look for ways in which each country can make positive steps without in any way reducing its own commitment to its core strategic interests.

So on air-sea battle-and here I do agree with the Professor-this idea was not a bad idea in military terms but it needs to be sort of improved. It needs to be refined. I think our Chinese friends have an understandable objection to a doctrine that sounds a lot like air-land battle, which was how NATO faced down the Soviet Union and the Warsaw Pact during the Cold War, even though Americans argue that it's not directly aimed at China, everyone knows that China has the greatest capabilities of an anti-access area denial capability, and therefore this American argument doesn't really work completely. And so we would suggest again, being very brief, renaming the concept to "air-sea operations," trying to include other countries in as many of these operations as possible. If we're going to use this as a new innovation in how we think about global maritime operations, let's try to make it a more inclusive concept where possible.

And then finally, we also suggest not buying additional large amounts of American long range strike capability. This is a debate that some of you may be familiar with in terms of the American community that believes in deep strike, so doubling our bomber force or putting weapons in space, or other ways to be able to do long-range

strike. Jim and I prefer to keep long-range strike capability roughly at current levels. So that's just a couple of ideas.

Second idea, on the issue of reconnaissance-of how close we come to your country routinely with our war ships and our reconnaissance aircraft-we have a couple of ways to address this. We think that the reconnaissance has to continue. But we think the Americans should go out of their way, out of our way, to reassure you that, first of all, we're not using assets to do this that are any more armed or dangerous than necessary, so we would encourage some transparency measures, so you can see that most of the planes we use, for example, are not routinely armed.

And then secondly, we would propose an Open Skies Treaty, like the U.S.-Soviet or the NATO-Warsaw Pact [Open Skies Treaty](#), where China would be invited to fly reconnaissance aircraft over American territory on pre-designated flight paths just as we could do over your territory. We're very accustomed to doing this with the Russians. We still do it with the Russians. It's not an infringement on anyone's sovereignty but it creates a little bit more of a parallel equal approach that I hope would perhaps begin to reassure some Chinese concerns.

Third point on Korea -- and I could spend a lot of time on this, and I know a lot of people have thought about this -- but in Korea, we think that the United States needs to think about its war plans. The U.S.-ROK war plans may need to-to the extent our Chinese friends would have some consultations with us about this issue-should try to include China. And if there were, heaven forbid-and I don't think this is likely-but if there were another Korea contingency, we believe the U.S. and ROK should think about inviting China to help, and in other words, even coming into the northern parts of North Korea to help with the management of displaced populations, possible movement of fissile material, but with the understanding that once the war is over and assuming that Korea at that point has been re-unified, that both Beijing and Washington need to listen to Seoul. Only Seoul gets to decide whose forces might stay afterwards. And if Seoul wants the Americans to stay in modest numbers beneath the 38th parallel, that the Chinese side would accept that as a possible outcome, but none of us have to pre-judge that now. There's a lot more to say about the Korea issue, but I basically think it's an area where we could have some useful consultations, understanding Chinese sensitivities about not wanting the North Koreans to be offended by this conversation so we might have to find some indirect ways to hold it.

Okay, I've already gotten close to my time, so let me just mention one idea on the China side, and this, frankly, may be -- well, I'll mention two. The first is, that as China's military budget now approaches \$200 billion if you convert to American dollars-somewhere between \$150 billion and \$200 billion a year-and then the Chinese economy continues to grow in the years ahead and perhaps China's military budget reaches roughly a \$300 billion level by 2020, if you stay on the current trajectory, we would suggest to China that you perhaps think about that as a reasonable place to start slowing down. And we explain why in the book, but it really boils down to the simple argument that the United States and China have similar interests in the Western Pacific, comparable interests, but the United States continues to lead the international effort of

protecting Persian Gulf oil, which is a benefit to everyone, including China. And therefore, we have more global responsibilities at the moment, so we're suggesting to the two sides -- for the United States, we have to accept that China is probably going to get into that range of close to \$300 billion, but for the Chinese side, if you get there, and once you get there, to think about slowing down the pace of your modernization, if you haven't done so before. I realize that's a little bit of a nuanced argument, but we explain the rationale in the book.

Last idea-and maybe this is the most provocative, although it's not particularly radical in one sense-but we would suggest that if as part of this entire package, China think about demilitarizing its threat to Taiwan. In other words, this is a longstanding issue of U.S.-China disagreement, but we think the United States can help by clarifying the steps that we would take if Taiwan ever did try to declare independence, and people like Richard Bush have a lot of experience on this issue. And Jim and I are suggesting that we can try to talk more clearly and even more explicitly with Chinese friends about how we would never accept a unilateral declaration of Taiwan independence, but at the same time, that China should think about demilitarizing what it would do in the event that Taiwan made that step. And so, if and when that could ever happen, of course, Taiwan arms sales become a much easier issue and so do a lot of other things as well. That's a big topic to end on in a very abrupt way, but I'm going to apologize and try to at least hew to the time restrictions and look forward to the conversation.

DR. JIA: Wow. Thank you very much. We are very efficient as a result of the self-restraint on the part of our distinguished panelist. Okay now it's question period. Yes, Professor Matsumura.

QUESTION: I didn't expect that Japan is a big topic on this panel, and I felt as if I am tried without presence in chamber. So I don't have any particular question, but please give me some time to respond and to give my comment. I think the U.S. and Japan has shared strong values and commitment for stability and democracy here. And then I'll say Japan has so far very much [been] satisfied with U.S. hegemonic position in the region, but given the U.S. fiscal and financial predicament, we are not very much one hundred percent sure what the U.S. can provide for us. But we have never doubted U.S. intention to do their best but capability side we have some questions. And that's the reason why I think Japanese government has marginally improved the military capability, so we have a slight militarization without militarism.

For us China is a potential threat, if not threat, because we see the strong power between what Japan was in 1930s and the 1940s and today with China. China entered belated modernizing moment in which it says it has a strong sense of nationalism and it has a so-called strong army, a strong economy and a strong army, and then a seemingly weak civilian control over the military. That's exactly what we had experienced in the end of the pre-war period. So we do, I do share China's concern, because fear against Japanese is innocence a little bit because people always think about what would happen in the future based upon the experience in the previous war.

We had a very good relationship with foreign countries, with a note of exception with two immediate neighbors -- China and South Korea. From discipline, we rightly share our understanding is that we did contribute to the Asian, South Asian countries because without Japanese fighting, this country would not be getting independent. At least it accelerated the process, including Philippines and the U.S. colonial control.

And finally, about South Korea -- there is a strong, big, emotional and historical cultural baggage on both sides, and I don't like to argue about that, but standard Japanese standing with South Korean policies that it is shifting its focus to China. Its economic relationship with China is now at least qualitatively if not quantitatively, a larger than that with Japan. And then, so we have to demote our relationship with South Korea, not as a country with sharing the same freedom and other free values, but it's based upon history, based upon strategic interest, but given the South Korean shift in the focus we see that it was never doing anything from the Japanese and U.S. side, South Korea is eventually getting under Chinese orbit. And we got to very much have a very strong, very serious discussion with Americans on what to do about if that happened in the region. Maybe that's enough. Thank you.

QUESTION: Thank you Mr. Chairman. I'd like to talk a little bit about this six party talk and how to deal with North Korean nuclear issues, you know? Because you people from U.S., people from China, say that we have to do something about this North Korea nuclear issues, but so far, there's no way out. There is a reason why we have failed. We have tried last ten, twenty years to persuade North Korea, sometimes by providing a lot of incentives, sometimes through a lot of penalty or adding penalty, but we all failed. I think there is one fundamental reason why we all failed; our efforts have been all failed. That is, we tried to change the behavior of North Korean regime without changing the very nature of North Korean regime. You know, you didn't do anything really serious about changing the regime itself and try to only change their behavior. But it all failed, you know? Because I think the nuclear issue is a matter of Kim's family survival. So no matter how high price you put on the nuclear, on them, I think they will not give it up. Unless they are ready to take some risk of regime survival itself. Otherwise there is no way out. So what we need is we need new approach and new goals. We need new thinking and new goals. That's what I want to say -- just going back to old story, old solution, it doesn't work. We know this. So I sometimes raise the question to myself, that whether really China and U.S. is really serious about this denuclearization issues. Are they really serious about it? I agree with the Professor Chung's argument that time is not on our side. At this very moment when we are talking about these things here, North Korea continues developing their nuclear capacity, capability, you know, stronger and stronger. So the time is not on our side. I think if you are really serious about the peace and prosperity of this region in the future, I think you have to be more serious about why we failed and how we can find some other new approach and new method to deal with these issues. Okay, that's my first comment. I want to all of you have some time to think about that. And the second one, actually, this is very small comment -- it is about the Chu, Professor Chu Shulong's argument. He said that in his speech that Japanese and Koreans, Japan did a lot of bad things to Korea and China-- it has been very threat, a lot of threat, attack, invasion in the past, so you have no right to argue that the rising China

can be a threat. I think that statement is unfair, not convincing. To Korea, Japanese are the past threat. But China can be the future threat, ok? That is the reason why the many neighboring countries in Asia are welcome this rebalancing of U.S., because we do not think that they are coming to attack us, to invade us, but they are coming to rebalance. China is rising, but we are not comfortable with that. And especially your recent activities in overseas and other military areas, are very threatening in fact, you know? So we want some kind of rebalance, we want some kind of balance of power. That is why we are welcoming. So what I'm saying is that you have the Chinese scholars who think that there is a growing concern and feeling of uncomfortableness about rising China, and you have to find some way how to change this general perception of neighboring country and just say that we are not going to be a threat. We are peaceful rising. That rhetoric is not that persuading, convincing anymore, so we are talking about the future of this region and how to build new order, new trust and I think we should address more on this.

DR. JIA: Okay, thank you. Professor Iwashita please.

QUESTION: Thank you Professor Jia. My name is Akihiro Iwashita, my major is Russia, China field, but Japan citizen. Small question, but two questions. At the beginning, I wanted to cast suspicion on Professor Chu but now my feeling is that I try to defend his position, so I fully enjoyed how Chinese perceived the perception on Japan now. I think probably most of Chinese or some Chinese share this conception. But my question is very simple. Do you think that China's version or concept on current Japan is really well accepted by the world beyond East Asia? If we ask to the world, not to the East Asia, the following question -- which country would be more threat to the southern countries, Japan or China? What would the world react? Please tell your opinion. And second question more seriously academic to Professor Xinbo, and I'm very impressed your great explanation [of] shift power balancing. Yes, it's truth. So, but if we extend this logic beyond the East Asian sea issue, I mean that maritime security issue beyond the territorial disputes. So the sea is broad, you rightly mentioned, so now what was China's expansion to North Arctic in Japan Sea, or Okhotsk Sea, also the Bering? This is very critical now. So the Russia would be a stake at this orientation. What do you think about your scenario -- the huge balancing power of China and the presence more beyond East Asia Sea security? Please give your answers.

DR. JIA: Okay, thank you very much. Professor Tang?

QUESTION: Thank you. Sort of two broad area questions. One on the Korean issue, which I think is really, probably now the most critical one for the region as a whole. It seems to be completely intractable and I think what Dr. Park just talked about in terms of whether there has to be new thinking and a new approach, make me think that how far, I don't know whether Jae Ho would jump at this, do you think the acceptance of a nuclear North Korea should become the new basis of dealing with North Korea -- whether that is some sort of kind of thinking, since regime survival, is a very critical issue for the current regime. And there seems to be little prospect of other players adopting different, completely dramatic, so new approach to the problem. The sort of, second thing, related to this about North Korea -- since the China economic model seems to be one possible way to entice North Korea to introduce economic changes and reform, how

far do you think there is a prospect for South Korea and China to have some kind of joint economic initiative in trying to create change in the mentality of the North Koreans and sort of new approaches of engagement?

The other sort of observation I had, this is not about North Korea, but on Michael O'Hanlon's recommendations -- I think this is really quite typical Michael, in a sense, that you are very, what I think is probably controversial but very concrete, pragmatic, sort of recommendations and measures, if they are carried out probably would make a difference. What I'm sort of thinking is if we are thinking about the Chinese approach to managing relationship with the United States through the new type or new model of great power relationship, do you think the kind of thinking you have will be something that could be on that particular agenda from the side of the United States? Thank you.

QUESTION: Thank you very much. My question is for Professor Chu. I agree that the deterioration in Japan - China relations is very regrettable and I certainly hope that we're not moving into a situation where each country would look at each other and think that's the major threat. And I think when I was listening to you go over the list of issues from your perspective, make Japan seem like a potential real threat, but what's missing from that is a discussion of the factors that could actually mitigate against that situation from deteriorating even further, so you know, two major elements that occurred to me and I would like to get your reaction to that is of course, a very significant degree of economic interdependence between these two countries, but also the fact that Japan has now well consolidated democratic institutions and certainly it's not the country it was in the pre-war era. So it seems to me that we couldn't expect at all the same kind of international behavior and that should be factored in by assessments about future potential threat. Thank you.

DR. JIA: Thank you very much, we have one last question, please keep it short, thank you.

QUESTION: Thank you Chairman. A short question for all speakers. It seems each country in the East Asia fears that it's threatened by some others. China is threatened by Japan or United States. North Korea is threatened by Japan, U.S. and South Korea may be threatened by Japan or North Korea, and Japan is threatened by China, so maybe I have to say, if not totally, but maybe the list partially, is this feeling is caused by the existence of the cold war framework, because there is still the U.S. dominated alliance in East Asia. So my question is, because you know, because there is the alliance, so there should have some hostility among this region. So my question is, if we want to resolve the security issue in this region and what's the influence of the lay on the issue of recent ocean. Thank you.

DR. JIA: Thank you. All are good comments and questions. Now I want to return to the panelists. Each of you have three minutes. I think sufficient time to address all the questions. Please. Mike, do you want to go first.

DR. O'HANLON: Sure, thank you for the thoughts. One quick idea on

Korea, which is that we perhaps make a distinction between trying to arrest the growth of North Korea's nuclear arsenal and completely eliminating it. In other words, we need to do the first. And hopefully we can walk back some of the recent North Korean buildup, recognizing the last half dozen nuclear weapons may be a problem that's too hard for any first or second or third round of negotiations. But we really need to make sure the North Koreans don't end up with fifty or a hundred war heads. So that would be one idea that I would throw out, which is not -- which comes out of a lot of discussions that I've had at Brookings with colleagues there, like Richard -- I don't want to blame him for it, but it is going to be hard to get rid of the last six or eight or ten North Korean nuclear weapons. But that may be less important in the first instance, than preventing this next round of growth in their arsenal, and maybe that idea can factor into our thinking.

Second, on the Professor Tang question, the new model of major country relations and the agenda that we're putting forth, yeah, that's exactly in that spirit I think. Of course, the beauty of the phrase, new model of major country relations is that it can mean anything you want, as long as it's generally serving the cause of peace, so I'm not really sure that I have claimed very much by making that argument. But you know, I think on a lot of these specific points, you're looking for ways to recognize that both China and the United States remain great powers, the United States remains committed to this region, continues to have major allies, is not going to back off any of those commitments and that China cannot be expected to back off its image of itself in the region either. But we have to look for ways to have new models of interacting. So yes, I would hope that it would be seen in that light.

Last point I'll make in terms of what role the allies can play, if I understood the question correctly -- again, I guess I'll just say one thing -- we've had a lot of discussion about both Japan and Korea, maybe we should briefly mention Australia and I think Australia's got a nice approach. Now they're a long ways away -- maybe it makes it easier. But overall, we certainly feel very welcome in Australia, as allies but we don't get any sense that we're being invited to have a bad relationship with China. When I visited Australia I was on a task force on the U.S.-Australia alliance last year, and the overall theme was very much that America's regional presence is about stabilizing and helping preserve the ongoing development of the region, not about picking sides. At the same time, the U.S. and Australia are allies. China and Australia are not allies. We're not going to apologize for that. We're not going to walk that back, but it's not intended to be any more competitive or any more zero sum than necessary and Australia works very hard to get along with China. So maybe that's a partial answer. I'm sure my colleagues will have thoughts too.

DR. WU: Three points. Professor Park mentioned the regime change in North Korea, but you got to remember, in this world, many countries choose to develop their nuclear weapons. They have quite different political systems as North Korea. So it's not so much a matter of political system. You have democracies that also develop nuclear weapons, and some democracies can also be very aggressive and dangerous in foreign policy, right? So I think it's not so much the nature of the political system.

The second question is how to deal with this perceived China's rising

influence and presence on the sea. I think we need to create a new maritime order in this region. This is urgent partly because China's neighbor development is taking place, so it's very nature that China is capable to invest in a blue water navy, and this navy will need to do more training and exercise in waters that used not to be there, but the challenge is how you assure other countries this is not a threat, and also to avoid some unintended conflict. China - U.S. are now negotiating for some mechanism on maritime security on the sea. So maybe someday we can expand this to some multilateral process involving other region members. And also, China should increase the transparency about its naval capability and its naval strategy.

And finally, of course, what's more important is it should state, its already stated, keep stating, that it will gift it to a peaceful solution of the maritime disputes, so you know with all this, this may help alleviate the concern from our neighbors, but the concern will still be there, but it's better to do something than not to do anything.

And finally, some of you just mentioned this -- China is a future threat. I think what you really mean is that China is a future uncertainty, right? So psychologically there is a difference between uncertainty and threat. If you talk about threat, that means you have both the intention and capability. If you talk about China as a future threat, you cannot demonstrate by telling in the future, at a certain stage, what kind of intention China will have. So it's more a kind of uncertainty about future. So some regional members, including Australia as you mentioned, actually they want to invest in insurance, so by strengthening a security relation with the United States. At the same time, that doesn't mean Australia is taking China as an enemy, and wants to side with U.S. to contain China. So you have to tell the difference about uncertainty, perceived threat, real threat, future threat -- so to be careful. I'll stop here.

DR. CHUNG: Thank you. Three points. When the world is unipolar in structure there is very little deviation for smaller powers, so very stable. Or when you have a bigemonic structure, or shared hegemonic structure like what we had in the cold war era, very stable. But with the relative decline or the end of unipolar moment of the U.S. and the collapse of the Soviet Union in the 1990s that has broken. And the Pandora's Box opened. All traditional sources of conflict are coming out to haunt us. So going back to the unipolar structure, unlikely. Going back to another bigemonic structure -- maybe. But in what way? Certainly not going to be ideological then -- in what manner? It's a very tough question.

I think Mike missed the point about my citation of the *Chosun Ilbo* headline, because I'm not talking about the facts. Just because China surpassed Japan in GDP terms in 2010 doesn't mean China surpassed Japan in overall power. How many Nobel prizes China scientists got so far, compared to Japanese scientists? So it all depends. But, I'm not talking about facts, I'm talking about perceptions. Think about how Japan is reacting since 2010, you know? That's what I'm talking about. U.S. should pull its economic act together. I think that's one recommendation I want to give to my American colleagues.

About denationalizing -- I think it's very easy to say that. It's difficult to

do. I think in order to do that, you first have to stop all the football matches, A matches between Japan, Korea and China, because that is really adding nationalist sentiment to the three countries.

About Japan -- I didn't hear clearly -- you said Japan demoted its relations with South Korea? That's what you said?

QUESTION: If things haven't changed based on oriented current trajectory, Japan would most likely demote --

DR. CHUNG: But that is not what is happening. Abe asked Park Geun-hye to meet with him three times. We turned it down. So things are changing in a different mode. And I think you said South Korea in the future will most likely enter into Chinese orbit? I think you are talking to wrong groups of people in Korea. We are not going to -- we have not made decision yet. And for me, actually, I haven't decided whether China is a threat or not. I mean I would like to recommend two writings by Ian Johnston, 2003, 2013, *International Security*. I think that is really the locus classicus on the issue.

Finally, North Korean issue. Well, OPLAN 5029, I'm sure a lot of discussions have been taking place, but I think this thing the U.S. - South Korea moving in together has become a religion somehow, and I tend to defer, because both the U.S. and China and South Korea have not thought about one very, in my view, important alternative, and that is South Korea moving alone. U.S. has talked a lot about trust, reliability, best alliance ever, but U.S. doesn't trust South Korea in terms of dealing [with] WMDs in North Korea. So, but once South Korea does something, as a divided nation itself, China's position is unclear. That's the lesson I drew from my own interviews with Chinese over the last ten years. Yeah, I'll stop there. I have more comments.

DR. CHU: Okay, I think I got the three questions and comments. First about whether China will be a threat to Korea in future. To say something frankly, I do not like to pay attention to those poor guessing or assumptions without solid facts. I think that everybody can perceive everyone else as a threat in future, like a lot of Chinese believe that Korea, South Korea, align with the U.S., is a threat to them. Now, in future a united Korea, still aligned with the U.S., has American troops on the peninsula, is a threat. So whether it is true or not, I don't know.

So I think any prediction when we read, we hear the reports in the world, talking politicians, scholars, business, about future predictions, whether it's reliable or have any credit, depending on their foundation. And the foundation is the past, rather than today, because nobody knows what will happen in future. Nobody is God. So only solid, is whether their foundations, their evidence is trustable. And foundation is something happened, reality. So yes, my South Korea students always tell me and tell us in my class that how many times China in history, thousand years, invaded Korea. We don't know, so it's new to us. But, textbooks are different in countries.

But I still believe that the emperor tried to help the kings, queens of Korea kingdom invited by them, even invaded is quite different from occupation, colonization. And China as a strong country is in two or three thousand years never colonized Korea. If you say this as bad, that the invasion or military entry is as bad as colonization, okay, you can go.

Second, whether China and Japan is a greater threat to Asia in future. Again, I think this is a poor assumption without groundness. But I still think that, if we really want to answer it, I think we can go back seventy years ago.

If the same questions [were] asked seventy five or seventy three years ago, and I think the answer is there. Who is a threat to Asians? Japan or China? Because talking future, we don't know. But talking about the past, something that's already happened, we know. It's a fact.

And your question about the economic integration between Japan and China is good, but unfortunately, it has not brought good relations we want to see between Japan and China, including between Taiwan and mainland China, but now it's okay because Ma Ying-jeou, Kuomintang, is in power. And you suggest [suggestion] that democracy in Japan would bring everything good in Japan. I think that the situation does not affect, does not improve.

If you believe democracy is a good solution to every problem, domestic and external and internal, then my question to you -- why are [does] democratic Japan, does not recognize their wrong doing in the past? As are [does] democratic German? How many people, civilians they killed during the second war? How many women they raped? It's clear, wrong doings, criminal, inhumane. Why democratic party, democratic people, democratic country of Japan, do not recognize their wrong doing? I do not answer. Perhaps you know.

DR. JIA: Wow. I think by this time, we have heard a lot of thought provoking, insightful, rich, pithy, and very interesting comments. These are very fruitful thoughts. I want you to please join me to thank our excellent speakers, and also audience for raising the interesting and very good comments and questions.

DR. WU: Well, one last word, as a host. I think I already thanked Richard Bush and Kevin Scott in the morning, so I will not thank them again, but I do want to thank all the CNAPS Fellows for coming to Fudan for this year's annual conference. I am very satisfied with the turnout of this group.

And I also want to thank my colleagues from Fudan and especially my students -- the students who are attending my class actually this semester. I have noticed that today they are unusually disciplined in participating in this conference and I hope you do learn something from this event. Now Dr. Song you have something to announce about --

RICHARD BUSH: Could I have the final word?

DR. WU: Sure.

DR. BUSH: Just to reiterate our deep gratitude to Wu Xinbo and his staff and Fudan and the Center for American Studies for being outstanding hosts. I think we've had outstanding discussion and exchange of views all day and we are really grateful to you. Thanks.

DR. WU: So this is a new model of center-to-center relations.

DR. O'HANLON: The new model of great center-to-center relations.

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