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THE BROOKINGS-TSINGHUA CENTER FOR PUBLIC POLICY

China, U.S.-China Relations, and the Future World Order

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PROCEEDINGS

MR. QI: Good morning, welcome to this special session on China, China-U.S. relations and the Future of World Order. My name is Qi Ye, I am of Director of Brookings-Tsinghua's Center for Public Policy and a professor at the School of Public Policy and Management. And let me begin by apologizing, we have some mix-ups with the interpretation today. We're supposed to have a simultaneous translation for today's session and [inaudible] the reasons we do not have it tonight is because [inaudible] so that way to solve the problem, talk to your neighbor and you'll find some really good explanation for this. And, we also have some minor changes with our panel discussion, we will go first panel then followed by a second panel. Our panelists are the same, they just appear in different orders. The subject today is very timely, in two weeks from today, we're going to have the special representatives of the heads of state of the two countries coming together here in Beijing, for yet around of strategic economic dialogue. And the Vice Premier Wang Yang and the State Councilor [inaudible] will meet with State Secretary John Kerry and Secretary of Treasury [inaudible] here in Beijing. Strategic issues and economic issues in congregation between the two countries, and we know right now is a very special and critical moment for US and China relations. It is critical because things are not going the way we would like to see. We are experiencing very difficult moments, and it's critical between the relations between the US and China are one of the most consequential and the worst [inaudible]. Whatever actions we take, whatever

rhetoric we use will have a long impact on the relations between the two countries, and on the world. Especially because this relation is one of the most important relations in the world. And this relation will define, it will shape the way the future world order for a long time to come. This is a time that requires the collective wisdom, it is a time that requires and calls for the collective insight and [inaudible] some of the best minds and caring hearts about the relation [inaudible]. Obviously we have some of the most caring hearts here in this room, what I can promise you, is we have some of the best minds on these issues. Scholars here collectively and individually represent the best minds and the best research in this area. And today we have a group of scholars that have been studying the economic and bilateral issues in this regard. These scholars are not only thinkers, they are also doers. They think, they talk, they walk, they write. And some of their publications, their books and papers occupy a big [inaudible] of our book shelf spaces. The policy [inaudible] are [inaudible] by the key decision makers themselves of nations, they are the decision makers. And this fall, these scholars coming from one institution, the Brookings Institution in Washington, DC ranked consistently and in recent years a very [inaudible] for all think tanks in the world. In a time that China calls for a new type of think tanks with Chinese characteristics, I must say the Brookings Institution is one of the older think tanks. In one and a half years, the Brookings Institution celebrates its one hundredth anniversary, and yet this institution is forever young. It's young because of its innovation. Eight years ago [inaudible] a new center [inaudible] scholars here

today, most of them are from this China Center. At the same time, it established this Brookings Tsinghua Center here on campus eight years ago. This center is helping to define what a new type of think tank looks like, this center is working with our colleagues all over the country and other parts of the world to accomplish this job. Looking ahead we see many challenges that are ahead of us. It is necessary to have a good think tank, and Brookings Institution is [inaudible] an old principle, namely quality, independence and impact. First on quality, the research has the most rigorous standards and on independence, the research is not to be influenced or even driven by political interests or [inaudible]. On impact, even though the Brookings scholars work towards high impact on policy making, the ultimate measure for impact is rather the social or public value that it brings to the entire society. So clearly one of the most important public [inaudible] now is the bilateral relations is to bring peace and prosperity to the two nations and the world. Can we deliver it? Yes, we can. With all your support and effort, participation, we can. Thank you. Let me first invite our first panel today, this panel is going to be chaired by Professor Ruan Zongze, and Professor Ruan Zongze is the Vice President and Senior Research Fellow at the Chinese Institute's International Center. Besides his scholarly work and his administrative role in the center, he has been very productive and a prolific author, and he has [inaudible] voice of international relations. So without further due, Mr. Vice Professor Dr. Ruan.

MR. RUAN: Good morning everyone, thank you Professor Ye, thank you for the kind introduction. It is really my great honor and pleasure to chair this first session. And this year marks the 25th year anniversary of China and US relations, the normalization of China-US relations. 35 years ago, when the two countries came with a diplomatic breakthrough, nobody ever ever anticipated what would be the future of these two very important countries. 35 years later, we have made so much progress. Tremendous effort has been spent by the leadership teams and today I think we are extremely happy to see that this relationship has been so solid and resilient. Of course there are a lot of problems, but we have very good reason to celebrate. We celebrate this year, my institute the China Institute of International Studies we had the honor to co-host a workshop to celebrate 35 years of diplomatic relations with Brookings and with Cheng Ling. Now it is more than an honor to welcome them into Beijing, it's good to see you my friends. And of course, last year we all witnessed a very important meeting between President Xi Jinping and President Obama. The two reached an agreement or they are committed to build a new type of mutual power relationship in which of course with low conflict, low confrontation, mutual respect, and [inaudible] cooperation. And in one year now, we have made progress, well [inaudible] and I think this is the best time to do a little review, and at the same time we have to put more insight into making this relationship delivered. So far we have seen the two sides of this relationship, on one hand the high level of contacts has been carried out early this month, we have seen President Xi Jinping met President Obama with

[inaudible] and the two sides reiterating reassurances that will continue to work on the major type of power relationship. And of course, next month very soon, we are going to have strategic and economic dialogue, which is extremely important for these two countries. Above all, to some surprise we have seen the mutual relationship has made tremendous progress and China's mentorships are [inaudible] participate or join the [inaudible]. And this is mutual relationship as we all agree is the most vulnerable part of this relationship. But anyway, it's very encouraging to see that it has made such good progress. However, we have to ask a couple of questions at this moment. How has this new type of major power relationship been put into practice in the last years? And, also against the backdrop of the rising tension in East China Sea, South China Sea, what kind of impact will this relationship have to regional security and also regional orders? After all, we always have to ask these questions. What are the drivers for this very important relationship? To answer all of those very important questions, we are extremely honored to have three very distinguished panelists. I'm sure they will give us their insight which will be extremely valuable to understand the current status and the future orientation of China-US relations. Let me just briefly mention the first panelists will have three of them, Professor Li will be followed by Bruce then David Dollar. For me, I don't [inaudible] or very often, to be a moderator you have to be very brutal because time is allocated to each of you is about 10 to 15 minutes, otherwise just [inaudible]. So by doing that, I hope we will

have more time to discuss. That will be the fascinating part of this workshop so may I invite Mr. Li to speak first.

MR. CHENG: Thank you very much. First thank you for Qi Ye for the very generous introduction, and also Professor Ruan that we in Washington really miss you. So in the Chinese embassy for 4 more years, and really emerged as one of the most articulate [inaudible] in Washington, DC. And before that I saw on tv one time, you are also very tough so we are all prepared. Not only in terms of time but also in location and tough questions. I am very delighted and truly humbled to speak to this very distinguished audience at Tsinghua. Now please allow me to explain why I'm delighted and humbled to be here. Delighted because this is the first time I have given a public presentation on Tsinghua's campus, I'm not a Tsinghua graduate but Tsinghua was central to my professional career. 24 years ago, in 1990, I spent several months here doing field research and writing my Princeton PhD dissertation on the rise of Chinese technocrats using Tsinghua as a case study. A decade later, practically 2002, Tsinghua graduates and educated technocrats dominated the Chinese leadership. Delighted also because 8 years ago, in 2006, I came here with a Brookings delegation of [inaudible] people led by our board and chairman [inaudible] who was and still is a faculty at Tsinghua to celebrate the [inaudible] Now the BTC was the Brookings first overseas center, [inaudible] our belief that the rise of China is one of the most important events in the 21st century. And also, that the US-China relation is the most consequential relationship in our time. China's rise

then was a prediction, now it is a reality. Brookings also established our Doha Center and our India Center in the past few years. We want to be a global think tank, not just a narrowly defined American think tank. Brookings Institution strives to fulfill its global role and services, this is what I call Brookings in the [inaudible] service and in the services of all nations. For those of you who went to Princeton, you know that I borrowed this model from Princeton's University, I think it's also accurate for Brookings' aspirations. I'm humbled because of the fact that the US-China relations are not in good shape, one may even argue that the relations are deteriorating in a very dangerous way in the wake of the South-China sea and East-China sea tensions, in the wake of the US espionage charge against the Chinese for the PLA officers. So I think that our China center aims to build a constructive relationship and certainly we have much homework to do. Humbled particularly because I believe misunderstandings and misperceptions, misjudgments on both sides have caused recent tensions between our two countries. And may lead to more serious conflict in the future. To bridge the knowledge gap is what a think tank is suppose to do, apparently we are not doing a good job in that regard. Like my Brookings colleagues here, I really appreciate this great opportunity to listen to you, to exchange views and ideas with you, and also to present our observation and arguments. Now my main argument is what I just said, if there will be a major conflict or even a war between the US and China, it will be most likely due to misunderstandings, misperceptions and misjudgments as they are now rather than due to conflict in interests or competing ideology or

the nature and the change of the international system. Now in my next 8 or 9 minutes I will not discuss any theories because I believe there are too many bad theories and too few good theories, I will not cite too many statistics based on surveys because I think some of the surveys, most of the surveys could be misleading because things change so rapidly and may not be relevant in the future. And also, I won't talk about strategies for those of us coming from the US, we do not talk about strategies much, we try to talk about the [inaudible] in the US we never talk about that term. And so I think it would be misleading to talk about strategies when the US seldom talks about strategy or lack of strategy. So we will talk about the economy and global order; two of my colleagues David and Bruce are really world leading scholars on this issue. But I will concentrate on the issue of misunderstanding, the problems of misunderstandings and misperceptions are crucial. If each perception in the different countries are distorted, so will be foreign policies in those countries. I believe that the Chinese leaders' notion about the new type of major power relations that Professor Ruan just cited concisely, which emphasizes cooperation rather than confrontation and rejects the zero sum mindset. It's easier and very constructed, it should be noted in fact that the American leaders hold the same view but they might not use the same term. Larry Summers for example, when he was the Economic Advisor to President Obama, he said brilliantly and I quote him here, that one cannot imagine that both the US and China will do very well in the future or we can also imagine that both countries could do very poorly in the future but it is very difficult

to imagine that one country will do very well and the other will do very poorly. Think about that, whether he really [inaudible] I think it's very much accurate what he [inaudible] in a different way. I think most Americans would probably agree with Larry Summers' assessment. Of course, some other factors also contribute to the current tensions these factors could include very quickly. Number one, the [inaudible] sensationalism and the mutually reinforced fears facilitated by the ongoing telecommunications revolution, number two growing pluralism in interests groups in the politics of both countries not just in the US but also in Chinese society with [inaudible] doing so well, and number 3, the trend that the US-China bilateral relationship is increasingly shaped by domestic political and socio-economic factors on one hand, and closely linked to broader geo-political changes on the other hand. Now as for mutually reinforced fears for example, I do want to cite one statistic which is certainly subject to change. A recent survey in the US showed that 87% of Americans surveyed believe that China is a major military threat to the US; similarly an overwhelming majority of Chinese people also believe that the US aims to contain China. Now contradictions and inconsistencies in the decision making circle also was in the problem of misunderstanding, reinforcing each other's misunderstandings. Let me give you a few examples. Chinese leaders often stated that they have remained domestically focused because China's domestic challenges is more important according to leaders perspective. Yet at the same time, China is increasingly outlooking, outworld looking internationally engaged, whether it's in Africa, North

America, South America or the Asia region. Now Chinese leaders often state that they will continue Deng Xiaoping's foreign policy strategy of low profile but some leaders recently argued that China should be proactive [inaudible] Chinese leaders often stated that China does not want to drive the US out of Asia but now claiming that Asian affairs should be decided by Asian countries. This is what some US leaders are worried about, they're worried about the de-Americanization in Asia. Now there's a growing gap between the way in which Americans perceive China's foreign policy and how the Chinese perceive it yet according to other countries, China has become increasingly [inaudible] and even militant which has hurt China's image on the global stage. In contrast, the Chinese public perceives that China has been on the defense in the East and South China seas. And the tensions are largely due to the US led containment against China. From the perspective of the Chinese public, China's foreign policy and Xi Jinping has been a great success, China has more leverage in the new triangular relationship between China, the US and Russia. This is in contrast to the cold way that the relationship between US and Russia, China and Russia [inaudible] but now just opposite that the relationship between China and Russia and also China and the US is much better than Russia and the US. China now has more leverage, this is the argument or the perception at least. And that China now has many economic costs [inaudible] to play around with EU nations, and China's inference in Africa and South America has been unprecedentedly strong. China's view that the US has been overstretched and therefore weakened, but in

[inaudible] the US is not really that concerned with the China-Russia [inaudible] than before. Because for many people in the US Russia's economy is really insignificant, it will not make a difference, China sooner or later will still pay attention to the US once they have the [inaudible] or strong cooperation with the US. So it's not that worrisome as people here may believe. Now the contrast of these views actually contributes to the risk of the military [inaudible] because each side misproduces something that could be dangerous, that is my observation. Now let me further give examples of misunderstandings. Now I will use this argument primarily for the Chinese side and for this audience. It does not mean that I want to undermine that misunderstandings are equally bad from the US side because when I talk to an American audience I usually talk about American misperceptions but this is a Chinese audience, I want to listen to your criticism to tell me how wrong or incorrect I am. Now for example, the US cannot accept China as a rising power and especially now with China becoming, wanting to become the number one economy. Based on my observations, Americans, most of them already [inaudible] no matter what they have to accept it, I don't see people becoming so angry because China is number one and the US number two. They are actually more critical about US leaders for not doing the right job, not so much about criticizing China. And [inaudible] I think is inaccurate, you may think that the US [inaudible] is not really contain China, for various reasons, it's already too late and what's the purpose to [inaudible] in China. Could you do that militarily for the sake of economically engaging China? It's impossible, now also the US

wants to promote educational exchanges with China, training the future generation of Chinese students, if you really want to contain China this is the least [inaudible] thing you want to do. And also, I live in Washington I am not an American citizen, I've never participated in the policy making process but as a consultant for advisory or for various leaders. But I never experienced this contentment sentiment, even sometimes you know when you prepare a meal in the kitchen, it looks pretty ugly, pretty dirty, it looks even then becomes harsh and burnt words about [inaudible] in China. So I just do not see this kind of well planned strategy, sometimes I wish some device could be heard from this conversation because Chinese people always hear about the conspiracy in China. Now certainly we should not put some of the decisions made by the US or the soft power policy like what happened with the military, the espionage charge against the Chinese PLA officers. This decision is made by the US, I never heard anyone say it's a good idea they all said it's a bad idea, stupid idea but what's the purpose? why do you do this kind of thing? American police makers, scholars, etcetera, I never heard a single person defending that policy you know that event that dominated the news. Now people said that China can [inaudible] about the Westernization and the change of China's political system, peaceful evolution. Nobody in the West, I should say really argued that China should compete about the Western model or American model. And nobody believes that our [inaudible] can achieve more [inaudible] overnight. That process could take decades, centuries for countries like the UK and the US. Certainly people did not expect

that. But the important thing is the direction, whether it's moving in the direction of independence or becoming [inaudible] anti-constitutionalism, etcetera matters. Nobody believes that, well I don't want to add there's a lot of list, but talking about peaceful evolution. What's wrong with peaceful evolution? Do we really want a violent evolution? Is that in China's interest? Of course not. We have mutual interests in peaceful evolution, and again, the mainstream people in China actually say that gradual change in China is the best interest. Now some people say that the US always points fingers to China and criticizes China's human rights and lack of democracy, of course I don't think the US should do that. But at the same time, we should also put this into perspective. Actually many people who criticize China's human rights or democracy, are very decent, nice people based on my view. Those racists will not usually criticize [inaudible] they think Chinese do not deserve democracy, human rights. Those people who hope that [inaudible] direction it's due to their respect, not due to their disrespect. Now how to avoid misunderstanding very quickly, to pay more attention to the domestic political and economic factors. And this is important otherwise we will let some US companies and Chinese companies and institutions will face some problems. Recently, China's Confucius Institute faced some serious problems in American Professors Association strongly criticizing the Confucius Institute. Of course I am not with that group, I think some of the criticism is well-rounded but it tells you that we fail to understand American society or institutions. And also don't jump to the conclusions that are predicted for heavy rain whenever you see only wind

[inaudible] exaggerate some of the things and diplomacy should not command into rhetoric disputes, and even non-professional attacks or personal humiliation, this is very dangerous if we pursue that way, again I talk about two sides. And putting into context top leaders' speech or statement, don't single out one single issue for example people in the US think of Xi Jinping's remark in Mexico and talk about the US should not point fingers to others and fed up, shut up, but he said a lot of other things. And also don't just single out President Obama's one speech, you know, again we should adopt a broader perspective. And certainly we should encourage more discourse and also [inaudible] or interest groups, not just let some groups small groups dominate the discourse. We should promote more constructive forces, mutually beneficial areas in US-China relations, and certainly more exchanges like the forum today. Now at the end, the conclusion I want to say one other thing about values. I believe that from the Chinese side we talk too much about poor interests, but not talk too much about poor values or shared values but I think this is verity important if China really has high level discourses with the outside world. China talks about the Chinese dream just like Americans love to talk about the American dream. I think that we should all remember that one country's dream shouldn't be another country's nightmare. One federal American one said, I quote 'If the American dream is for Americans only, it will remain our dream and never be our destiny' I think by the same line I would say 'if the Chinese dream is for the Chinese only, it will remain a dream and never be a destiny.' Thank you very much.

MR. RUAN: Thank you very much Cheng Li and thank you very much for your [inaudible] insights. I think you have already brought about some of the very tricky and interesting questions. For example you mentioned about maybe the future scenario if there's any kind of Chinese dragging American into conflict, you know this misperception and misunderstanding but in very different ways from the way newspapers perception of misunderstanding and misjudgment because sometimes my friends tell me today we understand each other unprecedentedly well, China understands America much better, far better than five years ago. And vice versa. The US understands China so well, everyday we receive American visitors and everyday the Washington [inaudible] with each other but the problem is the question we have to ask is why do we still have probably misjudgment, right? I think the other thing I'd like to very briefly echo is one thing you said, will China really acknowledge China's major power status? and [inaudible] you mentioned about the Pacific but here's the problem and when China says the Pacific is big enough for [inaudible] given by American sides but the Pacific century is the American century. So where is China? that's the problem. So we have to all think that the [inaudible] discussing of course. Next, I'd like to invite Bruce Jones for his view, and before that I'd like to say one very brief sentence. My experience in Washington, DC told me that this relationship has been moved far beyond the bilaterals so the more and more time we spend discussing some global issues, regional [inaudible] so I think Bruce Jones and probably we look forward to your [inaudible]. Thank you.

MR. BRUCE: Thank you very much, it's a great pleasure to be here, it's been several years since I've been in this room talking so it's nice to be back. And I know that [inaudible] themes that Cheng Li [inaudible] a couple I agree with and a couple I don't agree with. So I'll explore those as well but certainly this concept of the US and China relationship is being one the most important bilateral relationships and shaping the way the international order. Or should I be speaking into this microphone or should I use the [inaudible] it's okay. I think it is worth acknowledging of course that the US and China are not the only actors in the international order, and they're not the only actors trying to reshape or retool the understanding of international orders. Because other actors who [inaudible] in important ways on the international stage and the [inaudible] and in the West the US is still the most important actor in the [inaudible] the Europeans are a larger economic bloc than the US, Japan is a [inaudible] substantial actor so there's a larger caste of characters that constitute the totality of international order. But i do think it is fair to say that what happens in the US-China relationships in many key areas will substantially shape or constrain or enable policy developments in the international order. There are some issues where that's not true, let's take counterterrorism in the Middle East for example. China has substantial interests in how things develop in the Middle East but very limited capabilities in [inaudible] engage in crisis management or counter terrorism activities. The United States and [inaudible] but that doesn't mean that China doesn't have an interest. I just want to put a little bit of context, that the US-China relationship might have

[inaudible] fundamental but it isn't the only one. You have to remember that we're [inaudible] in a broader context, but it is going to be essential. I actually wanted to start with a more positive storyline about developments in the US-China relationship seeing the contrast in the international order that has been developing in the last 2 to 3 years [inaudible] is an issue on which Qi Ye also works very closely which is on climate. If you listen to the public debate about climate, you would imagine that nothing is possible and that the [inaudible] Chinese are on totally divergent sides, etcetera. But actually we've seen much more constructive developments over the past couple of years with the US-China relationship being the key to unlock that. So what we saw is that [inaudible] the history. In 2009, you had the global climate negotiations in Copenhagen which is really focused on a sort of clash [inaudible] US and China over the deal that would come out of it. The deal was agreed but it was really a deal carved through crisis and conflict and not one that deeply reflected the interests [inaudible] but that has not shaped its actions. For a couple of years we would have said that the prospects for a new global agreement will be [inaudible] very well. Why has that changed? it changed because you saw very deep and very intense negotiations between the US and China on short term climate drivers, and the reaching of a deep bilateral understanding about short term drivers between the US and China which was then, is now reflected in the [inaudible]. You saw a US-China bilateral agreement that was then quickly followed by US-India bilateral agreements, US-Brazil bilateral consultations and an agreement on the major economies forum

[inaudible] in the G20 and now you're moving towards negotiations [inaudible] for global framework agreements. I think for the first time in a very long time there's [inaudible] that those negotiations would go well. In large part because in China we could see per capita emissions beginning to take [inaudible], in the US we see per capita emissions beginning to decline, and both sides can see a future 20 years out or so where there's enough conversion towards [inaudible] global agreement. But my point is that actually a positive story about the US and China collaborating all of a sudden has a consequence for the possibility of a global agreement to open up. It doesn't mean we will necessarily get one but the possibility is there for the first time in a long time, a US-China collaboration as the core of that. I think this is also important that we reflect on that climate story, to think about the way the focus and [inaudible] it is not only the US and China but the US and China [inaudible] concentric circles that several arrangements that ultimately could lead to a global arrangement. So then the US-China cooperation was a necessary component but not a sufficient component and I think it's going to be important in a number of areas to understand that it's necessary but not sufficient and how these other actors are brought about and engaged, the Europeans, the Japanese, the Indians. The US-China cooperation could drive it through. The second thing that I would focus on in that and here's where I slightly disagree with Cheng Li and I'll elaborate on this more in a moment. I do think we have different interests for example we have different interests in climate change, and [inaudible] the framework though [inaudible] our interests are different than

China's interests but we both operate in a system where it's totally impossible to solve the problem without cooperation, it's not that we have the same interests, it's that there's no solution to the problem without cooperation. And that creates a broader framework in which to understand our relative interests and how we can pursue them, I think that sort of conceptualization can be important in other areas as well where we see that there are different interests, but we have a broader interest in not seeing the relationship deteriorate to the point of conflict and that has to do with framing how it is we think about pursuing our interests, where they differ. My sense is that we're entering the phase, well the positive scenario is where we will see very intense, very tough but peaceful negotiations between the US and China and between all the [inaudible] whole range of issues as we attempt to put substance into the concept of a new kind of power relationships. And I do think by the way it is true that in the US, the dominant framework is one that would suggest that the more positive world for the US and not for anyone else but the US is one in which we can find this new kind of relation with China, that that is the aspiration or the hope [inaudible] foreign policy and economic circles to try to find that. Of course, we should be frank that the history of great power relations and the history of great power transitions hangs over this conversation and it's an uneasy history, by the way it's far too simple to say that when one power rises, it always ends up in conflict with the [inaudible] that's actually totally inaccurate when you [inaudible] totally inaccurate it's much more nuanced than that, you see cooperation, you see conflict, you see tensions, you

see a range of outcomes but of course there are risks like many moments of transition. And that hangs over the conversation, the effort to put meaning and substance into the [inaudible] of great power relations I think is critically important and the US-China have [inaudible] the core of that conversation. My only view is that the way to do that, and I'm not pretending to speak for anybody other than myself, let alone my colleagues in Brookings, let alone my colleagues in Washington, as you know Washington is like Beijing, if you get 6 people in the room you'll have 10 opinions so it's a lot of debate but my own take on how you could go about thinking about of a new power relations would be to accept the key issues in international order and key issues in baskets: one are issues where there are established rules of the game, established institutions, procedures etcetera concepts but where quite frankly those are rules established by the West, frameworks established by the West and frameworks established by the West and it's highly unrealistic to think that China or India let alone others will be going to join those frameworks, join those institutions on those terms like we're actually going to have to open up to deeper negotiations of those tools and of those frameworks that could incorporate rising actors in many ways, in a kind of equal way. An example in my book would be development questions, the development institutions and frameworks that are dominated by the West and quite frankly the West in my judgment is the very [inaudible] one in accepting that different actors have different views, policies, frameworks and a great deal to offer. And I think it's quite short sighted of the West to be so truculent about the renegotiations

about the [inaudible] developments where the emerging powers have their own [inaudible] are much more successful and [inaudible] the West has used. So one set of issues where we should be open to a deep renegotiation of the rules of the game and the division of the game and the balance of influence on global governance. Then there would be the second set of issues where for the West, China and the rising powers, the approach would be different where we say look, there are established rules in the international order and they matter a great deal and we are prepared to put substantial effort into resisting the revision of those rules of the game. I'm going to have to be frank that there are rules of the game where neither side are going to want to see a deep renegotiating and the key question will be, are those the same issues? or are they different issues? And my instinct is that is that there are overlapping issues, that if you were to ask the Chinese leadership what would fall into that basket, the integrity of sovereignty would be a key piece of that. Whereas the West would be more open minded to re-tooling the edges of sovereignty and we may have to readjust our expectations of that. On the other hand, I think the West would have a very strong view that changing territorial [inaudible] by force is one where we should stick very firmly to the rules of the international order and the opening up of that question is very dangerous and that may be a place where we disagree and will have very intense negotiations with those issues. And then the third basket which in my mind is very important and that's where we don't see enough of it, there's a positive example of it, are issues where there are no rules in this game in meaningful terms.

Frameworks of governance, frameworks of international order, they are very weak. Climate, energy, cyber and in a way maritime. We have a lawless seas [inaudible] minimalist regimes that tell you very minimalist things, there's a whole series of issues that it doesn't even begin to address. And maritime questions whether its about acquisitions, whether it's about sealand communications, whether it's about naval competition, it's extremely important [inaudible] over the next period. And there are big rules in the game, and in those areas the key for me is for both sides to make a deep commitment to negotiating what the rules of those games are, what the frameworks of this rules are and to understand that if we allow those to be ungoverned spaces, ungoverned issues and areas, we will end up in a very difficult situation and rather than to commit to mutual negotiations, we have to figure out what the rules of the game are. That's going to be intensive, and it will take time, but if we make that core commitment and negotiate that as opposed to have tense unilateral [inaudible] then we can [inaudible] some issues will straddle those categories, I think maritime is one of the places where we should stick hard to the rules of the game and the places where we should renegotiate, and issues are wide open. When I say these things it's worth mentioning that we should be under no illusion that the country which has the most substantial track record of ignoring rules of the game, of violating international order or unilateral action is the US, of course. We don't conform to international law, we don't conform to international order expect when it's in our interests, that's been the history of the US. But it seems to me if we replicate that

and sort of move forward on that [inaudible] trouble rather than being willing to accept that the set of negotiations, the new set of frameworks will constrain the US behavior, and that's an acceptable price for establishing a good relationship with China in the future. But as they say, and I speak for myself here, I would not say that that's necessarily widely accepted in the international system, there may be growing acceptance of that model but then I think it matters both sort of in official terms and in public terms that the right kind of framework for what it means to have a new kind of power relations, and the phrase that I've been using is the notion of peaceful competition and the reason I say it is the following. I think it is simply, totally unrealistic to think that any two countries the size of the US and China two great powers of that scale are going to always have the same interests, or always be cooperative. No, we'll be competitors in the spaces, we'll be competitors in the economic spaces, influences [inaudible] but the nature of the competition matters. If we allow ourselves to move towards a militarized competition, then I think we're in very deep trouble, in bilateral relationships, in international relationships, and if we could have a framework of peaceful competition it's very [inaudible] but the reason I say it as opposed to peaceful competition or something like that is there are places we disagree, and there are going to be times where we are in competition, and we shouldn't view that as undermining the core elements of the relationship. That's perfectly acceptable to be in competition, and we should frame the relationship as being one about peaceful competition and not be overly troubled if there are places where we

could be [inaudible] contain the competition, not contain each other, contain the competition away from militarized competition which will be very risky and undermining of any prospects of the new type of great power relations. Thank you very much.

MR. RUAN: Thank you very much, thank you for giving us a wider picture of how this relationship might work in a global context. I think that's absolutely positive perspective, if you put China and the US relationship in a global context, in the regional context, you will find or identify far more convergences of interests where we have to work together just not [inaudible] example of the climate change. Well, very recently there was very positive interaction with China and the US, the US kind of introduced a policy to reduce emission followed by China. At that time, I was in London for a conference so the Europeans were very surprised, so where is your piece? Look China and the US have done so brilliantly [inaudible] and quickly you mentioned the rules, I just want to give my very initial thought on that. There are basically two kinds of rules, first there are established rules [inaudible] about the institution being based on the established rules. And the [inaudible] new rules or rules in making, let me go through the first one. For the first one, China has or China's opening up has reformed [inaudible] actually making China's everything impossible, to integrate itself into the current system rather than to overthrow this one and make another. It will be unrealistic and impossible to do that. And it took China 15 years to make a tremendous effort to amend its own rules, to make it more [inaudible] than the WTO. But [inaudible] I

think of course at the same time we see the current system and the current rules are not perfect at all. It needs a kind of improvement. The second group is that the emerging rules or new rules or what should we do about that? And as we [inaudible] theoretically speaking we should work together, and China, the US and other emerging countries we all have to work together because we are confronted with the newly emerged issues like the cyber issues, transnational issues, even the trade and economic trade issues. For example the [inaudible] and it seems Americans like to make this the next generation of FDA. But there's a kind of fear or worry in China about the ABC phenomenon, anybody but China. So China was intentionally excluded from this, because you intentionally make this bar so high. China at this moment and the [inaudible] future, not be able to make it. And also the cyber issues, this is a typical example that affects everyone, it is a threat without a passport, so definitely it needs the US, China and all other stakeholders to work together. Very unfortunately, recently the Americans charged PLAs for the cyber hack that actually turned out to jeopardize the potential cooperation in base so let's have the final panelist, David Dollar, please the floor is yours.

MR. DAVID: Thank you very much, it's a great pleasure to be back here at Tsinghua University, I'm going to talk about US and China economic relations, and I'd like to introduce three points into the discussion. My first point is that the US and China as the two biggest economies in the world are each undergoing important transformations right now, transformations that are quite

complementary and if both economies succeed in this transformation, it will create a healthier, more balanced economic relationship between the two. So let me briefly describe these transformations starting with the US side. Before the global economic crisis, consumption in the US was growing very rapidly, mostly fueled by borrowing, we now know this is very unsustainable and this was an important foundation of the world crisis. Borrowing by US households and the US government. So the transformation in the US involves very much the deleveraging of households, governments, and corporate sectors, saving more and paying down debt, and there's some progress in this but the US economy is starting to recover but it's actually a difficult and slow process, and looking ahead the challenge for the US economy is about becoming more competitive, my colleague Li Cheng said we don't have much strategy in the US I suspect that that's true but I can quickly sketch out what for me would be a strategy for restoring competitiveness in the US. My top three items would be immigration reform to make sure the US has a steady stream of skilled labor and entrepreneurs, infrastructure investment, you only have to travel briefly around the US to appreciate there's an infrastructure deficit so there's a need to build up economic infrastructure, and then I would be in favor of new trade agreements, including TPP, and I now come back to the inclusiveness issue. But the general point is that the US needs to be more competitive and in that process, the consumption is growing more slowly in the US, imports are going to grow less rapidly than in the past. The US is not going to be the same kind of market for

Chinese exports that it has been in the past. Now China's transformation is based on a mirror image of this, China has been very dependent on exports, and more recently on investment and this has been a good growth model for China but the problem now is that China is generating more excess capacity all over the place, so we excess capacity in many manufacturing sectors, you know I think the housing stock has been overbuilt in tier 3 and tier 4 cities. I think some local governments have overbuilt local infrastructure and have too much debt behind that, so the Chinese model is relied very much on investment. At the same time consumption is relatively low in China, so the challenge for China is raising in ways for investment, strengthening productivity growth, building up household income and household consumption, it's very much the complement of the kind of adjustment that the US needs. Now my second point and this is the most important one, is that as these two economies make this transformation, I would argue that cross investment, that is Chinese investment in the US and US investment in China becomes relatively more important. So [inaudible] trade will continue to grow, but if we take the sum of exports and imports between these economies I don't think that's going to grow all that rapidly but I think the potential is there for investment to grow a lot more rapidly and become a more important part of the economic foundation. Why is investment to grow more rapidly? Well from the Chinese side, Chinese companies are going global for a number of different reasons, but an important reason right now is that China has over invested in many sectors, so there's a lot of Chinese companies with capabilities

and capital but lacking investment opportunities in China, so it's natural for them to go global and they're looking around the world, and it's interesting to watch but what's happened in the last couple of years is that this Chinese investment is increasingly concentrated in the US so if you look at China's data on overseas investment you leave aside Hong Kong which is a special case and part of China, the number one destination for Chinese investment is the US. We see it in lots of different sectors and locations, we see mayors and governors that the US coming to China to attract investment, and recently there have been some very high profile deals. [inaudible] bought Smith Field which is the largest pork producer in the US, ICBC bought a mid size bank, Sinoc bought a North American energy company Nexxon, all of these deals had to go to the US National Security Commission, there's a National Security Committee called the Committee on Foreign Investments in the US that approved all of these deals. Now there have also been some deals that have not gone through, there have been proposed investments that Huawei [inaudible] some part of the US regulatory process. I think those get a lot of attention and create some misperceptions about the openness of the US, but I'm emphasizing that if you actually look at China's data on its outwards investment, as they say the US is the largest destination and that's the most important trend. Now if I look in the other direction, the US investment into China, unfortunately, the picture is not quite as positive. What you see in the third plenum resolution is that lots of good intentions on the part of the Chinese government, and particularly the attention to open up more sectors to

competition and foreign investment, particularly a lot of service sectors in China that are closed to foreign investment. Financial services, logistics, telecommunications, media, also sectors like mining and agriculture. Now so far, we see relatively little US foreign investment into China, it might not seem strange to you but it is in fact quite strange because the US is still the overwhelmingly largest provider of investment in the world. About 20% of all foreign investment in the world comes from the US. The US has a stock of 5 trillion dollars of overseas direct assets but what's surprising is that only 1% of that is in China. So the US has more investment in Brazil than in China, there's almost more US investment in Chile than in China, Chile is just a little bit behind China in terms of the stock of US investment. So what I see here is China still has a lot of closed sectors, particularly in areas where the US is relatively strong, and it's part of China's own reform plan to open up these sectors in order to get more competition and more productivity growth and so I would encourage China to follow through its own agenda, and as it does so, you're likely to see a much larger of US investment into China and I think that's going to be good for China and good for the US. So actually the main point that I want to make is that economic relationships seem to be swinging more towards cross-investment than just trade, and I'm afraid there is the potential for a new kind of imbalance to develop because in recent years, the flow of Chinese investment into the US has been about 5 billion dollars per year and the flow of US investment into China has been declining more 2 or 3 billion dollars per year. So I think that that new

imbalance would be unfortunate to represent China as not taking advantage of a new opportunity. Now let me make my third point very briefly, I think I'm picking up on something Bruce said if I'm understanding him properly. My third point is that despite that little bit of negativity I spread there a moment ago saying we don't see much investment from the US coming into China right now, but I'm optimistic China is going to follow through on the third plenum resolution, it will happen gradually. I think we will see China open up more of these services sectors, and you'll see more foreign investment including the US investment into China. So the third point I want to make is that this cross-investment can happen in a fairly ad hoc way with relatively little policy coordination between the US and China. Basically the US is quite open, China could open up more sectors, and then the entrepreneurs, the [inaudible] will do what they're good at. We'll see more cross investment but it's also possible to institutionalize this. The two sides have agreed to negotiate a bilateral investment treaty that would require quite a bit of openness on both sides. It's a heavy [inaudible] so it's not going to happen quickly but there's the potential over the next couple of years to have a bilateral investment treaty between the US and China that will create an institutional foundation for a much higher level of integration. And then I'd like to relate it to the TPP issue that was raised. The US is simultaneously working on a Trans Pacific Partnership with a group of economies that does not include China, China is working on a regional economic arrangement that does not include the US, I don't see these as necessarily bad if they end up being stepping stones towards

a Pacific arrangement that includes everybody and requires a high degree of integration. I can confidently predict that we're going to see more cross-investments between the US and China, what's harder to predict is whether or not over the next decade we will build a solid institutional foundation for that in terms of trade and investment agreement that lay out rules and create what would essentially be new norms of openness and disputed resolution, etcetera. So I think there's really great potential for US-China cooperation on this issue of cross-investment to set a foundation for what would, I emphasized [inaudible] initially but there's no reason why we can't have a new global agreement, or a new global [inaudible] on openness towards investment. Thank you very much.

MR. RUAN: Thank you very much David, I'm very impressed by the highlights on cross-investments, I fully agree, I absolutely agree that this would be the area where we can work together and do a much better job on that. As far as [inaudible] very recently with China's investment becoming more active in [inaudible] Americans and also across China is also pretty open and very much we would like to see [inaudible] and investments [inaudible] from the US. That will become more solid [inaudible] very important relationship but I'll name two things also that need to be mentioned here. The first one of course is that [inaudible] about the [inaudible] bilateral investment treaty according to China and the US [inaudible] and of course maybe at this moment we need that kind of vision for the future, [inaudible] trade excuse. Some people really float the idea that possible [inaudible] in the future between these two countries. According to some

statistics by 2020, China and the US will be each other's largest trading partners, so it's pretty soon and we will see, we are the top trading partners with each other so maybe the FTA has a remote and far vision on this movement. We do need a kind of vision for this relationship. Secondly I think, for years there have been debates about this economic and trade relationship. In previous years, when I was in Washington, the renminbi exchange rate was one of them and of course I think in order to adjust that, I'd like to reiterate that the US actually has a lot to offer to export to China and for example, high tech [inaudible] it is not a [inaudible] just used for civilians, it's fine so we do have a lot to work on that. If America could relax its export control and [inaudible] China, I will see the trade or economic interactions will reach a greater level before that. So I'd like to give some opportunities, and of course as designed by this program, to the audience. Just now I think we have heard 3 excellent presenters and they addressed China-US relationships from different perspectives so enlightening and provocative. Particularly Li mentioned his observations about China-US relationships, it's of course deteriorating, so maybe we can see a little more on that. I'd like to invite the audience for comments and questions. Please be brief so first identify yourself and if you have any particular questions addressed to the panelists, just let them know and we have about 10 minutes or more, that's great news for us. Okay thank you, and please.

ANONYMOUS: Thank you very much, the speakers spoke a lot but I want to bring a question so that we save more time for the others. I'm CCTV by the

way, I'm more interested in how the domestic debates going on inside the US might have an impact either on US policy or US sentiment towards China. Two issues, one is a very specific one and the other is a more general one. One is about cyber security, recently I interviewed the former director of the US National Cyber Security Center and we had a great discussion about the government surveillance and the civil liberties discussion taking place in the US right now, and I just wonder how is that going to impact a US policy towards other countries when it comes to cyber issues of course including China. And the other thing is of course we know midterm elections are coming up and it's the biggest thing in the US, and it would have a huge impact on US policy towards anywhere so as a result of lack of so [inaudible] foreign policy legacy by the Obama administration so how much do you think the Asia Pacific issue between the South and East China seas might be used as a political tool for these designs of [inaudible] during the last part of the midterm? Thank you very much.

MR. BRUCE: Thank you very much, both very insightful questions. I would say that the cyber issues is one of the most resonant issues in the US-China relationship in terms of the public perception, much more so than the South China sea, the South China sea is more resonant in elite perception but in public perception, the cyber is the bigger shark. My approach to it would be to say that there are things that China does that the US uses illegitimately, sort of outside the bounds of decent relations between states, there are things the US does that China views as illegitimate, more in terms of naval espionage and the [inaudible]

capabilities off shores. And this is one of those areas where we are either going to see real leverage with real tensions with public consequences or we're going to have to see sustained and serious negotiations between the two governments about coming up with some kind of framework, some kind of rules to the game that sort of limits what we each do. There's no question that we'll continue espionage, and we'll continue [inaudible] everybody engages in espionage, the Fins engage in espionage, but there are limits and if we could agree on at least a couple of those limits we can limit the public sentiment. South China Sea I think is a very important issue, South and East China sea very differently actually. East China sea the primary American concern is about getting pulled into tensions between China and Japan which would be a total disaster for the US foreign policy, being pulled into two tension between China and Japan that's really not worth it. South China sea is very different, it's really a question of shaping American perception of how much the [inaudible] willingness to use force to claim [inaudible] and that's changing the judgment, and of course by contrast the US has a huge naval presence in Asia and the Chinese concern about what it's there for and what it's purposes are etcetera, my approach would be to say that both sides have legitimate interests, both sides have legitimate concerns, and both sides have problematic efforts. We're going to have to agree again to the rules of the game, to limit the tactics not diverting from the fact that we have different interests.

MR. CHENG: Well, maybe I'll speak first and David can add about the second question. Usually, American politics, domestic issues dominate over foreign policy issues I think this midterm election will reflect that. And the importance of health care, immigration policy, in terms of tax and other areas. Having said that, I think the general sentiment in the US is that Obama's foreign policy experienced some serious problems, whether it's Ukraine, Middle East, Iraq and the exchange of prisoners, and also Asian Pacific policies. But we should not underestimate the capacity just like the Chinese leadership, we should not underestimate their capacity to correct some of the mistakes and to be resilient, to change [inaudible] the US President I think will try very hard to score in foreign policy arena, we do not know which area he will emphasize and certainly there will be personnel change if things are going too bad and still 2 and a half years is still a long time and he will try to fix some of the problems in the foreign policy arena. But it's still quite remarkable that the recent few months or maybe a little longer, especially after Hilary Clinton left, there's some serious problems but again, first of all domestic is still the main policies and then also reacting to how the outside world and the crisis or events will also shape his policies. Yes, he is shifting more towards Ukraine and the Middle East, a little bit more, it doesn't necessarily mean he will not come back to Asia and because they have to constantly adjust the policies. But the problem is that his second term really wants to cut the military budget, so that's very much in line with his vision for the second term. So now you see some tensions in Iraq certainly, in

Asia Pacific, etcetera, in general though I think Obama his own kind of values [inaudible] towards [inaudible] will affect him and at the same time he constantly wants to react to public opinion as well.

MR. RUAN: May I suggest I collect a few questions and so we could make it more efficient. I think the gentleman over there, yes please.

ANONYMOUS 2: Hello, I'm a teacher from the China Youth [inaudible] today's topic is important but it's also sophisticated. I want to raise my question in Chinese, I want a professor to translate my questions.

MR. RUAN: I will try.

ANONYMOUS 2: [inaudible]

MR. CHENG: Well his question is, if China and Japan engage in military conflict, what's the US position, whether the US will try to benefit from this conflict between China and Japan, or otherwise that the US wants to maintain the Asia Pacific stability, I think this is what he asked basically.

MR. RUAN: Yes I will collect a few more questions. Yes maybe you can go.

ANONYMOUS 3: [inaudible] from the [inaudible] unit. I have a question for the panelists, how ready and confident do you think China's foreign policy is? Especially as a responsible global player.

MR. RUAN: Yes, the gentleman over there, yes.

ANONYMOUS 4: Two questions actually, the first the improvement of [inaudible] military gets to ask why the US always tries to play the leader here in this part of the world, that's in many [inaudible] a way about the US. The second

question according to the third [inaudible] in order to perform [inaudible] paper and possibly also growing relationship between China and the US is [inaudible] possible that the US will share its bases or [inaudible] region with PLA.

MR. RUAN: Over there please, with the white shirt.

ANONYMOUS 5: Thank you, I'm [inaudible] from the China [inaudible] Institute and my question is for Dr. Li Cheng and I saw the [inaudible] that a lot of Chinese need better [inaudible] US strategy but I'm a little puzzled about your take on PLA's US seldom talking about strategy, actually I think people in DC do talk about US strategy, a very recent a case was when General Dempsey [inaudible] talking about US 2 to 1 strategy in a very open discussion. I think that [inaudible] Atlantic [inaudible] so I think that's a very good case about the [inaudible] officer who talks about US strategy, so what's your take on the 2 to 1 strategy where I think China is the one and some others like North Korea and cyber security in Russia, they are all related to China so what's your take on this strategy?

MR. RUAN: Well thank you very much, I do think we have time for one more questions then I'll ask the panelists to give their responses. Yes, in front.

ANONYMOUS 6: I'm a reporter from Beijing News, I have a question for Mr. Li, my question is how does China [inaudible] global role in the future that serves Chinese interests [inaudible] acceptance from other powers such s the US. Thank you.

MR. RUAN: Well I think that I do recognize that there are a lot more people that would like to give their comments and raise questions but due to the time limit, we are going to break until 11 o'clock so I'd like to invite the panelists to give their responses to those questions. We will give you our thoughts on these topics. Thank you very much. How about I do it in reverse order? Reverse order, I'll invite David Dollar first, then Bruce Jones and then Dr. Li, please.

MR. DAVID: I think I can be very brief because most of the questions don't concern economics so I'm going to try not be offended and just make one brief point. I'd like to suggest that this reflects, and I find this a lot when I talk to different stakeholders in China, either government officials or students, there seems to be a perception that the economic relationship is very good, there might be some little annoyances here and there but the Chinese side is basically very very happy with the economic relationship, and therefore a lot of the concern about the US-China relationship is all these other issues that were raised about China and Japan, and South China sea, and military to military relations, etcetera, so probably that's largely true but I guess my final point would be don't take the economic relationship for granted, you know there really still is a fairly unbalanced economic relationship, and the relationship would be much better if China follows through with this very impressive reform agenda that came out of the third plenum. That will create a much better foundation for the relations. The most important reason to follow that agenda is that it's China's own agenda for what will be good for the Chinese economy, and I agree with that it will also have

the spillover benefit of making our relationship much better. So don't take the economic relationship for granted just because it seems relatively better than many of the other relationship. Thanks.

MR. BRUCE: On the first question on China and Japan, as I said, in the US if you have 5 people in the room you have 10 views. But I would say that there is a very strong consensus in the foreign policy committee, and at the level of political leadership including all of the major and serious candidates for [inaudible] a very strong consensus that [inaudible] military conflict between China and Japan would be a total disaster for the US. So the notion that the US is egging on Japan or egging on China isn't completely false, the US is very preoccupied not to see a militarized conflict between China and Japan. I think that's the kind of very wide spread consensus. You can hear voices here and there but the people that matter in the foreign policy decision making are absolutely uniform on that view. The broader question about America's role in the region and the leadership role in the region is very important, and it's going to be the most difficult aspect of the new power relations. At the global level, there's ample space for cooperation, at the regional level it's going to be much trickier. My own view on this is if you look at Chinese interests, one of the things that's an important part of the South and East China seas is the preoccupation about the capacity in the US to close off the sea [inaudible] and they will turn down to substantially constraint the economic imports like Japan in the 1940s. I can fully understand why China would be preoccupied to have enough capacity to [inaudible] from happening. I

think the US is going to have to start looking to [inaudible] with the fact that China will have to build up enough capacity to build up [inaudible] and closing down the sea [inaudible] in communications. At the same time, I think China is going to have to accept that the US isn't going away from Asia either. The US is going to be a presence here for a long time, we're going to have to find an accommodation, I'm not sure that sharing bases is the right one. We don't even share bases with the French. So I don't think sharing bases is the right way to think about it, but understanding that we're both going to [inaudible] significant capacity, we're going to have to find accommodation and by the way there's the underlying fear of using naval power to close down the sea [inaudible] communications. Given the nature of the economic relationship, I can't possibly imagine any scenario in which this is actually logical for either actor to do so. So I think it is possible to find without accommodation. And just very briefly, actors in the US talk about strategies in the US all the time, I run a program on strategies, we just don't agree on strategies and there are no 5 actors in the White House who agree on strategy. It's a constant debate, but to say that the US has a [inaudible] strategy is clearly incorrect, there's lots of different ideas, there are a lot of concerns, there's a lot of debates, there are places we are going to go shape, I think we have absolutely [inaudible] is oversimplified.

MR. RUAN: Thank you.

MR. CHENG: Well, why the US wants to be a leader in Asia Pacific? Partly because of history, partly because of capacity, partly because of its alliances, and

partly because you can say the nature of the international system. So it's a combination of factors. Now you can be cynical, you can be critical, and certainly there's also domestic debate but this is the way that hegemonic powers of course face some serious challenges. But all this combination of things, I mentioned [inaudible] are more than determined to shape the US image and also domestic politics really enforces that. I mean Obama really has to say something about the US being a leader, it's Obama [inaudible] it would be a disaster domestically. And China, the two questions about China, whether it can be active or confident, and Beijing's global role I think this is in a period of research for China's right place in the world, partly, similarly to the US when it became powerful, soon to become the number one economy. You certainly will enhance your military might and at the same time you will review your foreign policy objectives. That's natural. But nothing is certain at the moment, it depends on how domestic politics, the factors, China's economy and also China's interaction in the South China sea and East China sea I think in that panel, we really concentrate on the topic. These factors will all shape China's policy objectives, I think it's difficult to continue Deng Xiaoping's commitment but at the same time, I think domestic debate will continue in China and definitely the views on the new leaders. They will be tested, and certainly they want to be able to perform well. And at the same time, they need to be careful because some things domestically, internationally, can change very very rapidly. So they need to be aware that the policy changes may have some consequences, and these consequences may or may not be conducive

from the leadership perspective. So that's the period we are going to enter. For the outside world, we are also certainly sometimes maybe over stayed or exaggerated. China's aspiration or China's inspiration to be a major power, but also we'll be monitored very closely by the international community, particularly by some major powers. It would be the US, China, Russia, etcetera.

MR. RUAN: Thank you very much, and I [inaudible] shared with your anecdote before this session. With regards to the leadership, it reminds me of a story between [inaudible] and Madame Allbright, the former Secretary of State of the US. On one occasion, Madame Allbright asked Li Jiaoxing, the former Prime Minister a question, she said 'sir, would you please frame your Chinese foreign policy in one word?' and well Li Jiaoxing reciprocated to Madame Allbright and she said 'leadership' and he said 'partnership' so that's, here we go. This is the story. Of course, I'm sure you all agree with me this is a fascinating session and a wonderful discussion and presentation, and also a very engaging audience and before I go, please join me giving a warm thanks to David Dollar, Bruce Jones and Li Cheng and also of course the audience they're very engaging and insightful observations. Of course [inaudible] we have the next session which will be very much focused on maritime issues, I'm sure you'll all find it equally interesting and very important. Thank you so much and have a good day.