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THE CHINA CHALLENGE:
SHAPING THE CHOICES OF A RISING POWER

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P R O C E E D I N G S

MR. DOLLAR: David Dollar from the John L. Thornton China Center here at Brookings, and we're very fortunate to be able to have this even to launch Tom Christenson's book on the China Challenge. Game plan is Tom's going to take about half an hour to introduce the main ideas in his book. Then we're very fortunate to have Alan Romberg as a discussant, and then we'll have a discussion up here, and take questions and interventions.

You have their info, but I'll just say a few words. We're fortunate to have two speakers who have long, distinguished careers in the U.S. government. Tom was the Deputy Assistant Secretary of the State Department for East Asia during the last part of the Bush Administration, if I remember correctly. He's now at the Harvard Princeton China Center at Princeton. Alan has such a distinguished career it's hard to briefly summarize, but I noticed 27 years in the State Department, and ten years as a Senior Fellow at the Asian Studies Council on Foreign Relations. So we've got two excellent speakers and we'll start by talking about the China Challenge. Thank you.

MR. THORNTON: Thanks very much, David. I really appreciate everything that you and Ryan and Chung have done to put this event together, and I'm really grateful to Alan Romberg for commenting today. I'm sure most of you know who Alan Romberg is, but he really does have a long, distinguished career in the U.S. government. He is probably the worlds' leading expert on cross strait relations. I'm really honored that he chose to come here and comment on my book.

My book addresses what I consider to be two major challenges attendant to China's rise for the United States and for its friend and allies, particularly in East Asia. The first is a security challenge. It's how to dissuade China from destabilizing East Asia, a region of great importance to the United States, by using coercion or force to settle its

many disputes, sovereign disputes and historical disputes with its neighbors. I think this challenge is often missed or underestimated in its importance by people who say the real challenge is that China is trying to kick the United States out of the region, I don't see that, or that China is going to replace the United States as a leading global superpower. I think both of those claims are incorrect. I can say more about it in the Q&A.

China is not a peer competitor of the United States in the military, economic, or diplomatic spheres yet, and it's unlikely to be one soon. It's not a global military rival. It can't project combat power far from shore for an extended period of time. It is not, even as powerful as the United States militarily in East Asia, but the good news ends there. You don't have to be a peer competitor of a great power to pose major security challenges to that power, and you don't have to be a peer competitor of the United States to stabilize East Asia, and East Asia matters a lot to everybody, so they are still a big security challenge.

The second challenge, I would argue, is even more difficult than a security challenge, and that is how to get China to actively contribute to global governance in ways that help stabilize the international system. Here I'm thinking of issues like nonproliferation, financial stability, regional stability, and prevention of humanitarian disasters and civil conflicts, and environment issues. China is a great power. China's rise is real, even though I don't think it's a peer competitor around the globe with the United States, its rise is real. It is a great power, but it's also a developing country, and it's a developing country with a fairly health post-colonial nationalist chip on its shoulder.

We've never had a power as powerful as China that is also a developing country in the past, and we've never lived in a world that's as integrated as it is now. So that the world has never required to the degree it does now the active cooperation of all

great powers pulling in the same direction to solve common problems because of that tight integration. And now you've got one of the great powers being a developing country with lots of domestic problems, domestic stability problems, domestic economic problems, 100 million people in poverty with less than a dollar a day, and you're asking that power to contribute in a far-sighted fashion on issues that are often far from its own shores to stabilize an international system, which it's certainly benefiting from, but it has so many problems at home. I think this gets missed.

Now, China obstructs those efforts on nonproliferation, on those financial issues, on environmental issues, the ones I mentioned earlier then it's going to be really, really difficult if it actively obstructs really difficult to solve those problems. But even if China just says leave us alone, we've a developing country. Let us have our own diplomatic portfolio, and our own economic relations, just leave us alone. We're not supporting bad things. We're just minding our own business. It's going to be very difficult to solve those problems because China is just so big even though it's a developing country that if it doesn't pull actively in a positive direction it's going to be difficult.

Never has a developing country been asked to contribute so much and it's going to be a real challenge. I would say it's a challenge that the U.S. diplomatic core and the structure of the U.S. government is not particularly well-suited to address. The U.S. government's pretty good at coercive diplomacy, pretty good at that security piece, but it's not very good at this and it needs to get better.

Okay. The security piece first. China's rise is like all rising powers in history, posing security challenges to its neighborhood. It's just the nature of the beast that it's going to pose security challenges to its neighborhood. It doesn't have to require a very aggressive rising power to do that. The rising power's going to rub up against its neighbors in ways that it hasn't in the past, and it's going to have to manage those new

frictions. Unfortunately, I don't think China's in a very good place, and it's not domestically structured well, and its international history in its region is not well-structured to have this process by very smooth, and I'll describe that in a moment.

I'm not being particularly critical of China. I'm not saying it's a cultural issue or anything like that. The article I wrote in 2000 with Richard Betts, I argued that if China manages the normal frictions of its rise as poorly as the United States did in the late 19th century we're in for really big trouble because the United States managed the process extremely poorly, Spanish American War, the Philippians counter insurrection war of several years. So the United States didn't do very well when it was its turn. We need China to do better than we did.

One of the problems is China has many points of friction with its neighbors. It has economic and military power, particularly in East Asia, and it has expansive military claims. Oh, here's the map. I understand there's no pointer, so I have to walk away from the microphone. Can people still hear me? Now, you have this (inaudible) with Japan (inaudible) disputes with the Philippians. (inaudible) because Taiwan has the same position on (inaudible). And that's a sovereign dispute. It's a different kind of sovereign dispute, but it's a sovereign dispute because it's a dispute over the meaning of sovereign in Tibet, so it's a sovereign dispute.

We have American allies and security partners, I consider Taiwan a security partner, allies, Japan, the Philippians who are involved in these disputes, right? So it's a challenge for the United States. You have a Chinese military that, for the first time, can get off short in its own region, and raise the cost to afford to deploy U.S. forces in a serious way, and raise the costs to U.S. allies and friends and partners in the region in much more serious way for the first time.

Traditionally, the Chinese military was a land army designed to oppose

the enemies of the CCP at home and abroad, and it was supplemented with a relatively rudimentary nuclear deterrent with about, by public reports, a couple of dozen of liquid field missiles to try to deter the super powers from bullying China with their nuclear superiority.

Recently, since 1999, I guess that's not so recent anymore, Chinese military power has grown very quickly, very impressively. Even faster than the economic growth, and China has developed quite a large panoply of coercive tools that are a challenge to the four deployed U.S. forces and to U.S. allies. These are forces, I believe, that are not designed to dominate and dominate the region or to drive to the United States out, but to raise costs to American forces to make American leaders thinking twice about challenging China on issues that China believes it cares about more than the United States and perhaps its allies. These are asymmetric capabilities. Chinese strategic writings still see the United States as superior. The high tech enemy is still superior, and China needs to find ways to work around that superiority to achieve its goals.

One of these capabilities accurately tipped conventional, ballistic missiles. Accurate conventionally tipped ballistic missiles, mobile ones, very accurate ones, including bi-public reports an anti-ship ballistic missile that can target after reentry into the atmosphere and find moving targets at sea. That's a challenge for American deployed forces of the First Order. Submarines, sometimes quite quiet, diesel electric submarines. They carry cruise missiles. They carry torpedoes. They're able to lay sea mines in ways that are a great challenge for the region and for the United States. Just cruise missiles in general, fast boats, advanced aircraft, fourth generation aircraft. Very sophisticated air defenses that have been reverse engineered from Russia. Cyber capabilities, anti-satellite capabilities that could reduce U.S. superiority in what's called

C4ISR, the ability to see into a target. The nuclear modernization, which I don't think gets enough attention. China is building a relatively sophisticated, but still limited nuclear deterrent on solid-fueled mobile missiles. And submarines can go out to sea and shoot nuclear missiles, nuclear tipped missiles.

So none of this is domination, none of this is China overtaking the United States. It's a desire to deter U.S. intervention, to lay it if the U.S. chooses to intervene, and to push the United States out through raising costs if the United States does intervene. And to challenge any regional power, allies, security partner that wants to partner with the United States in any kind of conflict. This isn't a new Cold War, and we shouldn't nostalgic about the Cold War, so please, when I say this, please don't accuse me of saying this is worse than the Cold War and I wish it was the Cold War again. I'm not saying that.

The Cold War was awful. I'm glad we won it, and I'm glad it's over. It was dangerous. It was nasty, and we don't want to go back from it. From the time this 1962 Cuban Missile Crisis to the end of the Cold War it was, in a sense, more simple than what we face in East Asia today. The main reason was that between the two camps, with the exception of West Berlin, the lines between the two camps were relatively clear. You knew what an aggression would look like from either camp. You knew if someone was trying to change the status quo and revise the status quo. You don't know that in East Asia because there's no agreement among the various actors on what the legitimate status quo really is.

In fact, they all question each other's maps, and that creates a big problem. My colleague, Daniel Kahneman, who won the Nobel Prize, and his co-author, the late Amos Tversky from Stanford University worked on something called Prospect Theory which says that most humans will take bigger risks and pay bigger costs to

defend what's rightfully theirs, what they believe is rightfully theirs, than they will to get new stuff. This is most humans in all different cultures. There are exceptions, of course. Adolph Hitler, thank god he was an exception, but he was an exception. But most people in most place, and states behave the same way. There's no reason to believe states don't behave the same way, for the most part.

The problem here is everyone can believe, including China, sincerely believe their defending what is rightfully theirs against other revisionists, and they're more likely to stand firm and pay costs. That makes crisis stability more fraught. That makes management, of course, of diplomacy more difficult. In addition, there are escalation risks if the U.S. were to get involved that complicated things for what is a conventionally superior United States. And I don't think there's enough appreciation of that.

I mention the nuclear modernization on mobile, road mobile missiles, nuclear tipped road mobile missiles, solid fuel, and submarines. If you recall, those are the two first things I mentioned when I talked about China's coercive conventional capabilities that have been developed robustly in the last 20 to 30 years. The problem is that if the United States does what it often does to exercise its conventional superiority, which is early in a conflict to take out the conventional capabilities of its adversary or to blind or paralyze those capabilities it could in the process signal to the Chinese leadership that it's trying to take away China's nuclear deterrent.

If submarines are attacked, if submarine ports are attacked, if the command and control for submarines are attacked, if road mobile missile sites are attacks, if the command and control for road mobile missile sites are attacked with conventional weapons by the United States it could be the case that Chinese leaders starts to think they're coming after all of our deterrent and this is a conventional first strike. That has real escalatory capabilities, and a future U.S. president is going to have

to take that very seriously.

Even without the nuclear escalation risk China's neighbors, including U.S. allies, are very dependent on the Chinese economic and good relations with China over the long run, and they would probably look as scant even without that danger of a nuclear risk on early strikes, particularly on the Chinese mainland. No president has launched robust, early, conventional strikes or even late against a large nuclear power. It just hasn't happened. And that's where U.S. advantage often lies is the ability to do that, but will a president want to do that. So even if you don't have the nuclear piece you have the economic interdependence piece, and the allies may be a retraining force on a future president.

And there's another complicated factor which is domestic politics in China. I think, in a fundamental sense, the financial crisis has changed China's psychology in a way that makes this coercive diplomatic problems harder to deal with. China, since the financial crisis, I believe, feels more confident abroad and less confident at home, the Chinese leadership. That's a very bad combination. You think of a 2 x 2 table, I'm a political scientist, right, think of a 2 x 2 table. That's the worst sell. Country's that somewhat cocky abroad because they have newfound power, but very scared at home, and very worried about the implications of nationalist humiliation on domestic stability. And the ability, in some cases, to get things done like big reforms, economic reforms, anti-corruption, whatever else it may be. Leaders don't want to look weak on nationalist issues because nationalism alongside economic growth has been a legitimate force for the Chinese Communist Party after they jettisoned Communism, so they don't want to look weak on those nationalist issues.

There are positive forces as well. I don't want to be a naysayer. That economic interdependence, particularly the transnational production chain in East Asia of

which China is the fulcrum is also a major force for peace. China does not have real incentive to spoil its relations with all these multiple partners that don't just invest in China, but bring parts in, have them assembled in various conglomerations, and then sent out to other markets. That is a force for peace, I believe. And the CCP needs to produce jobs to stay on power as well, so harming that economic chain would be very, very damaging to CCP legitimacy which, I believe, is a security job one, two, and three in Beijing. Yes, sovereign matters, but sovereign matters in large part because it's about CCP legitimacy and stability.

Then there's global governance. What I consider to be the tougher challenge. China, as I said, is the most powerful developing country ever. The world is more globalized and tightly integrated than ever before, and there's a greater need than ever before for all major countries, all great powers, to pull in a positive direction. If a country to size of China does not contribute actively to nonproliferation efforts, to financial stability efforts, to greenhouse gas remediation we can't tackle those problems easily at all, if at all, easily or if at all.

China's economy is big enough alone to provide support and sucker to regimes that are being targeted by all of the other great powers. That's how big the Chinese economy is, and we see that on a day to day basis. China is by far the biggest economic partner of North Korea, so that limits the ability of the rest of the world to pressure North Korea into denuclearization. Even if China doesn't want them to have nuclear weapons, and my believe is China doesn't want them to have nuclear weapons, but just having fairly normal and fairly robust economic relations undercuts the ability of the rest of the world to pressure the regime and Pyongyang into denuclearization. The same is increasingly true for Iran. China is now the biggest economic partner of Iran, but quite a bit, both in terms of energy purchases and in terms of commodities sold to Iran,

consumer goods. That lead is only growing because China's the only country in the P5+1 process, and I'm not going to describe that entire process, that is both a net energy importer and a country that's willing to have fairly normal relations with Iran while it pursues a nuclear program in violation of IAA demands.

That problem gets worse when there's a thaw in Iranian relations with the Europeans and the Americans because then sanctions on those Chinese firms that get involved in those things seem less likely, and China ramps up its cooperation with Iran. We saw that, statistics I saw, a 40% increase in the first half of 2014 in energy purchases from Iran. That provides a lot of support, and the Iranian government mentions it. You can try to sanction us, but we've got China and Russia. It's really China. Russia's an energy exporter. They're not going to be buying a lot of oil and gas and stuff from Iran, really China.

China's economy is so large that if it doesn't contribute to global financial stability in times of crisis we could have real trouble. But then you think about financial stability, think about the Greek crisis where some European leaders, and particularly Australian leaders, were calling on China to help bailout Greece, and what was the response in China? Well, we're a developing country. By the most generous estimates, in 2012 China's per capita GNP was \$9,300. What was Greece's? Over \$24,000. Why was Greece broke? Greece was broke because it has a profligate social safety net provided by the government and a huge civil service. China doesn't have a social safety net yet. They're working on it. And you expect the Chinese to bailout Greece? And people went online and they said why would the blood and sweat of Chinese workers, this is a paraphrase, be used to bailout fat, lazy Europeans who don't even go to work every day?

You know, the problem with a lot of the arguments from China, what

creates a real problem is that a lot of the arguments are good arguments. That's why it's such a diplomatic challenge, and the same goes for global warming. China's, by far, the biggest emitter of greenhouse gases, a very serious problem, and China's gap is growing all the time. You can't do anything without China on board, but then China can say a bunch of things. We're poorer than you. Why don't you give us a bunch of money, right? They don't say that so often anymore, but they used to say that. And then they look at history and say, you polluted much more than we did in history, and if you go in a per capita basis it's really off the scale. Per capita history basis, Americans and Brits have polluted so much more than Chinese and they're richer. How much do you want us to sacrifice?

It doesn't help that there's a post-Colonial nationalist mentality that says you're asking us to do this because you want to slow down our economic growth or you want to hurt us or you want to get us caught in some mess that will contain us. It doesn't help that China's not that rich on a per capita basis. The way I put it in the book is that in 2012, that's the baseline that I use, China's per capita GNP was the same as Ecuador. Nobody's asking Ecuadorians to help save the world. You're asking Chinese. Why? Because there's 1.3 billion Ecuadorians in China. That's a big economy. You can't leave them out of any solution, to anything.

So China's got the largest foreign exchange reserves. It's the largest polluter on greenhouse gases. It's the biggest partner of regimes that are developing nuclear weapons. So how do you respond to these challenges, the twin challenges? First, you know, the subtitle of the book is Shaping the Choices of a Rising China. I think you have to accept that Chinese nationalism is near universal. I have lots of Chinese friends of all different political persuasions from liberal democrats to very staunch supporters of continued authoritarianism, but they're all nationalists. They all believe that

China's been kicked around in history and China deserves a better place under the sun than it's had.

So you have to appeal to that. You have to accept that there's nationalism. You have to say, here's how you can get greatness, by cooperating with others in constructive, proactive ways, and you'll get credit for it. So you always have to ask China to contribute, and you have to give China credit when it does. You need to dissuade aggression though and coercion. That takes toughness. It's not all persuasion, right? And you need a strong U.S. presence in the region. You need strong U.S. alliances in the region. At the same time, you need to assure China that the purposes of those strong alliances and that strong presence isn't to contain China, to break up China at home, to stop China's rise. That's a tricky thing. That's what political scientists call the security dilemma. It's manageable, but it's hard to manage.

I think we have examples of success. In the last few chapters of the book I run through the George H.W. Bush Administration very briefly, the Clinton Administration, at greater length, the George W. Bush Administration, and the Obama Administration. I'll just throw out a couple of examples. I'll just say I'm an independent. I try in the book to stay very fair and nonpartisan to the best of my ability. That's easy for me because I am non-partisan.

So in the George W. Bush Administration I think this was successfully done on security issues on cross strait relations, especially 2007 - 2008 when you had a provocative referendum in Taiwan on applying to the UN under the name Taiwan. The Bush Administration, I think, successfully had combined strong support for Taiwan's defense throughout both terms of its Administration, including large arm sales package offers to Taiwan, and warnings to the PRC not to use force to coerce Taiwan back into the fold. With assurances to China that the purpose of the U.S. security relationship with

Taiwan was not to encourage Taiwan independence, unilateral independence. I think in 2007 - 2008 that assurance was manifested in the very public, high-level opposition to that referendum targeting the Taiwan public saying, we, the United States, are not for this. You should know that when you think about voting for this. We think it's destabilizing.

The Obama Administration, I think the Senkaku dispute with China, the Diaoyu dispute, from the Chinese perspective has been handled well recently. By reiterating the U.S. position that unlike the other sovereign disputes, the Senkakus fall under the purview of Article V of the U.S./Japan defense relationship because the United States recognizes administrative control, strengthening coordination with Japan, encouraging Japan to play a larger role in the U.S./Japan alliance on the strength side. On the reassurance side, by public reports, the Obama Administration has urged restraint in Japan not to unnecessarily provoke the PRC. And has publicly criticized the whitewashing of the atrocities of World War II both about actions and words that Japanese elites have used. I think, in the process, has created much more stability in that situation than was there before. I think it's been successful. It's not perfect right now, but it's much less tense than it was because it combined both of those.

The United States should invite China to solve problems like North Korea when North Korea's acting up. When China doesn't cooperate the United States should turn to others, and when the United States turns to others for assistance China might not like that process of what they see happening as a result of North Korean obstreperous behavior or belligerence, and they might come around to a more constructive posture. I think we saw that in 2010. I think it was a very good year, 2010, for U.S. for example policy. I think what the Obama Administration did when North Korea sunk the South Korean ship and then shelled the islands is turn to China first and say, help us restrain

them. When China decided instead to put a stiff arm up and warn the United States not to overact and warn South Korea not to overact the United States turned to the ROK, South Korea and Japan and encouraged them to coordinate more with the United States, and with each other, on the security realm in a way that got China's attention. I was in China at the time and it really got their attention.

By the end of the year, from all public reports, China started restraining North Korea saying we don't like these trends. We don't like these long term trends in our security environment being created by North Korea. It's in our interest to restrain.

On humanitarian issues and civil conflicts, there's two pieces to this that I think show success and failure, and I show failures in the book as well. Focus on prescribed behavior of bad regimes, not on regime change. As soon as you say regime change you lose China. If you lose China, China's so big, it's going to be very difficult to put real pressure on any regime. The second thing is get local institutions, particularly local institutions near the point of conflict, and get institutions that have a long tradition of post-Colonial nationalism and protection of sovereign, so China can't argue that they take that position because they're Hagemannists or they're interested in power politics.

I think you have some successes on this, Sudan-Darfur, during the Bush Administration from '06 to '08. A lot of people think it was all about the Olympics. The Olympics were there, but it wasn't all about the Olympics. The Bush Administration and the Europeans convinced China that the purpose of the pressure on Sudan was not to break up the country or overthrow the regime. It as to save the people in Darfur from genocide. That was a big part of the equation. And the African Union was involved. It was pretty hard to accuse the Africa Union of being interventionists and colonial. So I think both of those things led China to go from a position of defending Cartum at all costs, from '05 to '06, to starting to buy into the UN process, pressuring Cartum to accept the

UN process, and then by summer 2007 dedicating the first non-African peacekeepers to Darfur which was a pretty big change.

The Gulf of Aden operation which is decided in September 2008, more of the same. We had a lot of different actors involved. Hard to say it was European or American power politics, and China made a decision to send forces very far from home under a resolution that called for hot pursuit into Somalia territorial waters which is significant. So this is a softening of China's traditional allergy to the intervention. It wasn't a rejection of it, but it was a softening of that allergy.

When I get to the Obama Administration I think Libya is really, really important. Tale of two Libya's. From '06 to 2011 there was a process in which China was softening over time its rigid adherence to non-interference under the responsibility to protect, whatever else you want to call it. This global norm of intervention is legitimate for legitimate reasons. And in 2011 China surprised me. I was in my home in Princeton, New Jersey. I had the New York Times on the kitchen counter. I had my coffee in my hand and I dropped my coffee. China rarely surprises me like that. Why did I drop my coffee? Because the New York Times said unanimous United Nations Security Council resolution to refer Kaddafi's regime to the International Criminal Court, unanimous. I knew, well, that meant China supported it. A lot of Chinese were surprised. A lot of Chinese military people were angry at the foreign ministry, and a lot of people didn't know about it. It wasn't really trumped at home much in China, but it was a big moment in this ability to get China on board. The most controversial thing, responsibility to protect.

It was a great achievement for the Obama Administration because they went to the Africa Union, the Arab League first. They got a lot of local countries on board. The Europeans did the same thing, and the Chinese didn't want to alienate all those countries at once. They gave a very short statement, because special

circumstances will do this, don't draw any conclusions about precedent. So that's the good story. What's the bad story?

The use of force to protect the people of Benghazi. The use of force resolution which China, more predictably, didn't drop my coffee, abstained on. What happened after that? Was it the protection of Benghazi? No. It was providing an air force for Kaddafi's eventual opposition until they killed him. Is China going to then be forthcoming on Syria? No. That process ended there. Particularly since on Syria, very early on, the Obama Administration said Aasad has to go which I think was an enormous mistake, especially if you want to negotiate with him. You're not going to knock him out.

So you lose China, you lose Russia. If you lose China, alone, they can provide enough support either institutionally in the UN or economically to keep you from successfully pressuring these regimes. If you want regime change, which you might want for moral reasons and strategic reasons, shut up about it. Focus on prescribed behavior and create pressure, and if you don't have China on board on that pressure you're not going to have enough pressure to get regime change anyway. Focus on the prescribed behavior.

The last thing I'll say is that it's important to find Chinese elite allies at home that dovetail with the international goals in question. The Clinton Administration did a lot of things well, particularly in time. As Ken Lieberthal's here, particularly in the second term the Clinton Administration's China policy was excellent. I say that in the book. One of the things they did very successfully was to leverage China's domestic reformers' desire to stimulate economic reform at home in the process of negotiating with China over WTO accession.

There's a classic example. Jurong Chi wanted to crack some heads in a state-owned enterprise sector at a higher standard for China than any developing country

which you needed why? Not because China was rich, but because China was big. You had to have a higher standard for China than you had for other developing countries. They agreed to it why? Because there was some reason at home to do it.

I think that explains the breakthrough on climate change which I really applaud in the APEX summit in November 2014. There's enough overlap. There's not a (inaudible) of overlap, unfortunately, but there's enough overlap in low altitude urban pollution in China and greenhouse gas emissions that you might be able to leverage the desire to handle the first problem which has to do with domestic issues, which are much more important to China than climate change, to get China to take real action on climate change. I think the Obama Administration realized that, worked with it well, and I know that 2030 commitment by China doesn't seem that dramatic, and it seems very late, but if you think back to 2009 on Copenhagen China's come a long way. The U.S. negotiating team's come a long way, so I really applaud what they've done, and I hope it's the first step in some other things because I think it's a serious problem that needs to be addressed.

I've talked for too long. I'm going to turn it over to Alan Romberg. Again, Alan Romberg, I'm just so honored. He is a national treasure, Alan Romberg. I've known him a long time. I've traveled to China and Taiwan with him. He is just such an expert and such a resource. When I was in the government I used to call him all the time, very few people I did that with because I was working on Taiwan issues all the time and I wanted to know the history, and he is a walking encyclopedia of history, so thanks a lot, Alan, for being here.

MR. ROMBERG: I'll have to cut all the critical parts out of my comments here. It really is a great honor for me and a great pleasure to be here for this event. Tom Christensen is an old friend and colleague. We've travelled a lot together, to China and

Taiwan, in a group that comes out of the Fairbanks Center at Harvard and brings together people with a lot of different expertise which is a terrific thing for me and I really appreciate that.

I think you've just heard a reason why, when you walk out of here, you should just go buy the book. It's a terrific book. It is written in a clear, crisp, very accessible way on an immensely complex topic that, in my view, often lends itself to diving into the weeds and focusing on arcane issues. But what Tom has done with this is to take a lot of facts and a lot of details and incorporated them into an explanation of a larger picture and why it matters. I think that's a great service and a great skill, and I applaud that.

It's also refreshingly straightforward. Clearly, the views in the book are his. He makes no bones about that, and sometimes he presents them in an almost passionate way. You know, how could they think this, but never with an ideological basis or with a political basis. Although, Tom won't be surprised to note, perhaps, that I think there's a little more defense of the Bush Administration than I might give. But I have to say that his experience with that Administration, and the contribution he made in that Administration lends great credibility to the points that he makes.

In terms of his overall approach, and I'll come back to this at the end, I would say that he's hopeful, perhaps even optimistic, but he's also clear-eyed, as he indicated in his remarks, about the challenges that China presents both in the security side and the global government side. The goal of the book, as I understood it, was first to get behind how China behaves, to understand why it behaves that way. Second then, while noting that working with China may not, I would guess I would say would not, will not be easy, to identify the many factor that lay behind that and that lay behind, perhaps, operating in a way to manage the relationship well and foster cooperation across a very

broad spectrum of issues.

As he indicated in his remarks, one of the tasks that he identifies and assesses at various points is how not only to block negative behavior, but to illicit cooperative behavior which is a very difficult challenge. He helps the reader understand both why it is very difficult, but also why it might succeed. I might note parenthetically here, because I can't find another place to put it in my remarks, that one subject I learned a great deal about is one he mentioned toward the end, which was about synthetic natural gas. It may be a small thing in the larger scheme of the book, but, in fact, it's not in terms of climate change issues and pollution. It was wholly new to me. I maybe wholly new to a number of you who don't focus on these kinds of issues. But anyway, the book isn't only about the details of China, per say, it gives you a perspective on other issues that are related across a wide range.

There are some areas where I would offer a different perspective on some of these questions, and I'll mention a couple, but his compelling narrative also leads us to other questions that leave plenty of room for him, or for others, to explore in the future. I'll mention a couple of those as well. One issue, he talked about it a bit in his remarks, I think you need to look at the optic of the region in talking about military power rather than necessarily about gross national military power. As he, quite convincingly, demonstrates the U.S. outstrips China by virtually any measure. And besides, as he points out, numbers aren't the only thing that matter. Quality matters, experience matters, and the U.S. also outdistances China in those areas.

But in the area where, if we're going to have a problem we're likely to have it, and that's in East Asia, China also has some advantages. Interior supply lines, intensity of commitment, ability to bring asymmetry to bear, and so on, so we need to keep that in mind. Moreover, it seems to me that if at all possible, China is going to try to

keep the application of force at a level below a threshold that would actually trigger combat. In other words, they use it for intimidation, they'll use it for coercion. It doesn't mean they won't occasionally act belligerently, and even fire some weapons, but my sense is that unless they're really pushed to the wall on something they consider to be a core interest China's going to make a great effort not to escalate to the point where the U.S. advantage is, including with its allies, come seriously into play.

I guess one point where I may actually disagree with Tom is on the Bush Administration's policy of fighting two wars without really paying for them at the time. I don't question the statistics about the growth of the U.S. economy, but that experience has left us with a legacy in terms of U.S. government budgets, to say the least, that hinder our ability to do a number of things, I would say. Including participating in the kind of coercive diplomacy that he clearly identifies as a necessity to make our policies work. So I take the commitment to the Asia rebalance very seriously. My problem is that I think that we have some legacy issues in terms of being able to implement it that come from that experience.

As he described in his remarks, Tom provides what I think is a fascinating discussion of what I think can justifiably be called a continuum of conventional and nuclear weapons. As I understand it, the dilemma that he identifies is manageable with thoughtful and understanding all around. And I would add with a large dose of sensible leadership. I tend to agree that that is manageable, but I confess to a degree of concern that in the wrong circumstances emotion and heated nationalism could, perhaps even with less than grade A leadership in one country or the other, render that management less effective.

A couple of points of disagreement. One, perhaps, small to many people maybe because of my focus in a lot of my work, not so small to me, and that is the

reference to Taiwan as a security partner. This is a Hilary Clintonism, as I recall. And in some cases it's fine because we have a very strong security relationship with Taiwan, and I think that's a good thing, and it's very broad-based on many ways. But in some cases it struck me as being cast in the same line with our allies in terms of our presence and our ability to manage the overall security situation in the region.

As I say, we have some important ties with Taiwan, security ties, but they're generally focused on maintaining peace and stability in the Taiwan Strait, and that is a contribution to overall peace and stability. I certainly would agree with that. But the others, the other relationships tend to have a larger strategic focus, so I don't think that they should be equated with each other.

On North Korea, even though Tom makes the point I think he somewhat understates the strategic importance to China, at least in the perception of Chinese leaders, of preserving North Korean stability and even its existence. Moreover, I think that China's role in fostering the six party talks was a little less straightforward than it might seem. That is it was very concerned at the time in 2002, 2003 with the breakdown of conversations between the U.S. and North Korea, and also against the background of the axis of evil speech, and so on and so forth. It looked like the next node to be hit after Iraq might, indeed, be North Korea.

But as I recall it, in fact, what Beijing tried to do was to manipulate the United States into two party talks with North Korea under the guise of three party talks. Oh excuse me, I have to leave the room for a moment, would you mind? It was at that point that the United States insisted that it would only meet at five, and then North Korea trotted off the Moscow and made it six. Since then I certainly agree, China has been more cooperative, especially as North Korean behavior has become less so, but the priority of stability, as Tom notes, over all else has not changed. However serious, and I

agree they are serious about denuclearization, China may be.

In this regard, one more specific point on North Korea, I doubt that the United States has truly persuaded China that we don't seek regime change in North Korea. Even though we say this time and time and time again, and I believe we don't have a policy of regime change. But there is a logical dilemma which I'm sure the Chinese see which is I don't think anybody believes that North Korea is going to denuclearize without regime change at this point. And so the logic of the situation is if you want denuclearization, at the end of the day, you've got to have regime change. And so I think that in that circumstance China sees that logic, and therefore, is leery of getting too aligned with the U.S. on some of its North Korea positions.

As I said, I had some questions get raised not of Tom, but by Tom. To what extent, I guess, can we really shape China's choices in the international arena beyond a limited sphere of obvious areas? How much do we really have the standing to do, as Tom defined it, demonstrate that Chinese national greatness can best be achieved in the new century through participation through global projects? In part, I guess, my question is whether China defines its greatness the same way we would. Genuine question on my part.

Another question, what difference does it make that Xi Jinping now sits at the center of power? In terms of what we can tell about his perspectives, his policies, his personality, to what degree is his voice so crucial, and potentially so different, from his predecessors as to make a decisive difference in China's policy choices? And if so, what are the differences?

Indeed, how does China set its foreign policy priorities? The leadership, Tom pointed out, was concerned with some of the effects of the anti-Japanese demonstrations both in 2005 and 2012, however, I would argue Beijing not only tolerated,

but in some measures stimulated and even organized some of these demonstrations. Of course, it then brought them to a halt when it looked like they were getting out of hand and might, in fact, turn against the leadership. But in terms of priorities, you know, how did they make that decision to allow that to go forward if they, in fact, were going to be concerned about the effect on economic issues which is the context in which he raised it in part. But also, I think Beijing had a choice to make in 2012, for example, about how to interpret Japan's purchase of the three islands in the Diaoyu Senkaku group.

Some commentators in China publicly said, you know, this is not a way to advance Japan's sovereign claim. This is a way to stop the governor of Tokyo from making a situation worse. But Xiao Tao decided that he was going to interpret it as a sovereign challenge. Now, there may have been other reasons. It may have been an opportunity to go in and exercise its own claim, but anyway, how do those kinds of concerns come into play? What's the mix? I don't expect, necessarily, to have an answer come out of it at this point, but I think they're important questions for us to all think about.

As he did in his remarks, Tom talks quite a bit about domestic politics, but frankly, I'd still like to understand better the interplay between domestic interests and various domestic interests. Break it down between, you know, PLA, the bureaucracy economic interest, and so on and so forth, and the shaping of foreign policy and national security policy.

Relatedly, to what extent is China's great assertiveness in recent years a function of new strategic thinking? Perhaps, introduced by Xi Jinping, or by others, and to what extent does it reflect the same kind of mentality that many people felt let us to go into Iraq because we could? In this respect, has China long harbored aspirations that are only now possible now to implement or have Chinese interests, in fact, or their perception

of their interest changed over time as they have gotten more power and more influence?

A different sort of matter. While we're probably not seeing a resurgence of ideological orthodoxy, though Tom points to the Mao signs that appear in some of these demonstrations, anti-Japanese demonstrations, for example, which bears watching. I think we are seeing a resurgence of political orthodoxy, and what are the implications of that for foreign and national security policy? An institution, which the book talks about a fair amount, yeah, we are seeing some greater emphasis on Chinese participation in institutions, but I don't think we should lose sight of the fact that Beijing's emphasis, for example, on the ASEAN+3 as the driving force in Asian community building was a direct reaction to the ASEAN decision to open up the East Asian summit to non-ASEAN members. China didn't want that, so it shifted the focus where there's not Asian participants weren't going to be. So are we seeing a greater commitment to institutionalization or only to institutions that serve China's own national interest in exercising influence?

Tom points to growing Chinese dependence on interdependence. But somehow I think we need to think about how to square that with the harsher climate that we see in terms of foreign business operations in China today. Perhaps, poaching again, on David Dollar's turf, I'd ask either one of them if Chinese leadership today really can do what Jurang Chi did in the WTO example. Can they effectively use, do they want to use outside pressure to push reform or is, despite the fact that they want reform, is that not the way they want to go about it. Again, I don't know. I have no idea, but other people here might have a better idea.

Finally, Tom notes that coercive diplomacy must be accompanied by reassurance that the target's key interests are not going to be harmed if the target forgoes use of force. It's quite reasonable, and I find it persuasive, but what if China's

key interest directly clash with ours? We won't want to provide that reassurance and they're not going to believe it anyway.

So let me sum up. I think that Tom Christensen has delivered on his promise to contribute significantly on a better understanding of China's rise and the challenges that China's leaders face. He seeks to guide us away from demonizing China, but as I indicated earlier, he doesn't shy away from criticizing China's unhelpful obstructionist, or even provocative behavior, when it's appropriate to so criticize. Rather, true to the subtitle of the book which is How to Shape the Choices of a Rising Power, he wants us to use our strength and our power of persuasion to dissuade China from those kinds of behaviors and to move in a more constructive and cooperative direction. This is a challenge of high order, but very much one, I think, worth contemplating.

So like a good performer in any field, he leaves us enthusiastic and better informed, but wanting even more. We want to hear or I want to hear what he's going to have to say in the future about how these issues play out under the evolving circumstances we're going to face. In that vein I can only say that I think all of us will anxiously await Tom's next book and thank him for this one.

MR. DOLLAR: The first thing is to give Tom a chance to respond to Alan, if he would like, and then I think we'll turn to the audience. We still have a good 35 minutes, so Tom.

MR. CHRISTENSEN: Well, thanks a lot, Alan. Very generous comments. I agree with most of your -- even your criticism, so I have to agree with the praise, so thank you. I'm not sure I agree with all the praise. It was really generous and I'm really flattered by your presentation.

On the issue of Taiwan as a security partner, you know, whether you use it in a diplomatic language or not, that's a choice for a policymakers, I'm writing as a

scholar. What I was trying to do for a broader audience is say that we have a lot of actors in East Asia that are not formal allies who are really important to U.S. power projection of the U.S. national interest, so Taiwan would be in that category in a different way than Singapore would be in that category. But Singapore is a very important security partner, for example. Cooperates with the United States on a very broad range of issues. Increasingly others are security partners. Malaysia's become a security partner, increasingly. So I just wanted to make that point. You don't just look at allies. There are other actors.

On North Korea, I agree with you that China values stability first. I just tried to emphasize in the book that, yes, China doesn't want a U.S. unified and stronger ally right on its border, and Chinese elites think that way. It's a very real politic way of thinking, but I think there's a deeper problem that's often missed when people talk about that which is the collapse of the North Korean regime and the fast paced democratization of North Korea under South Korea's leadership is a domestic challenge for the CCP that they don't want to see.

One Chinese academic said to me, if North Korea were to collapse tomorrow maybe ROK special forces would go and secure the nuclear sites and our special forces would go and secure the archives. Because China's had some very strange dealings with North Korea over the years, and North Korea is a criminal state, among other things, and a lot of that activity goes through China. So it might be quite embarrassing, and just the idea that these peoples' lives would improve in a hurry, be under a democracy is a potential destabilizing factor for the CCP.

So I agree though that the stability is number one. On Xi Jinping, you know, it's partially a function of the fact that, you know, books take time to right. Xi's leadership was still new. I mentioned the fact that he seems to be assertive both

domestically and internationally in his posture, and in his statements, and in some of the goals. Particularly, some of the domestic economic reform goals are quite impressive, but it's too soon to tell whether it will actually be implemented.

The way I see it, you know, it's a little bit of a deduct of logic more than an evidence-based analysis is that domestic politics always matter most, I think in Chinese foreign policy, and we tend to forget that. We tend to see China as, you know, a billiard ball in a rail politic world. But they can matter differently for different governments in China. For Xiao Tao it was a collective leadership without a leader who could just dictate to the others, and people could play on nationalism and kind of hold his feet to the fire, is my impression. He felt like he couldn't afford, as an individual and a collective leadership, couldn't afford to do fundamentally new things to be accommodative.

I think for Xi Jinping it might work like this, and I say might. I'm not making a factual statement. I'm making a supposition. That Xi Jinping wants to tackle a lot of big problems at home, to restructure the economy, the fight corruption, to legitimize the party as a corporate whole. He's a stronger leader individually than Xiao Tao because I don't think there are peers of Xi Jinping around him. But he needs to get all this done, and he needs to portray himself as a great leader who gets things done. On a day to day basis he has to portray himself that way, and clearly part of their campaign is to portray him that way, and he portrays himself that way.

That makes a different reason why you don't want nationalist humiliation. You don't want to look like someone who's going to get slapped by Japan or lose control of Taiwan or have the Americans bully you. So if you want to portray that, that could have implications and it could be rooted, to a large degree, in domestic policy. I just don't know. I'm trying to look into the future, as you suggested.

How do you get China to look for opportunities to leverage internation-, I

think the TPP is a good example. I remember when the TPP was first created. It wasn't created by the Americans, and it wasn't created under the Obama Administration. It's not part of the pivot. A lot of things associated with the pivot are not part of the pivot, and TPP is one of them. The initial idea of TPP was for APEX members, other than the United States, who were frustrated with the Doha rounding (inaudible). Said, we could create higher level free trade agreements in Asia. Singapore has an example with the U.S. Let them take the led, and eventually others will join it, and there was no exclusion of China in that process.

The Americans got on board, and I remember the discussions at the time, the Americans got on board with the notion that down the road if there were successful, if was going to be a long term negotiation, China would see it, get jealous, want to join it, and have to open up its economy more and it would be good for everyone including China. Then it got caught up in the pivot which I think was just unfortunately diplomatic rhetoric for us to use things like the pivot because it made it look like we were trying to encircle China, so everything we did looked like it was a subset of the pivot.

I agree about ASEAN+3, but it's a question of degree, right? And ASEAN+3 has multiple U.S. allies in it. I also hear U.S. is excluded. It's not like we don't know what's going on, big allies. Japan, South Korea, Thailand, Philippians, right? The U.S. isn't so much excluded, and I think Americans tend to use this term if there's an organization in which we're not involved we're excluded, as if someone's actively excluding us. No one ever says China's weak because it's not in the organization of American States or it's not part of NAFTA. China's really weak. If they could only join NAFTA they'd be much stronger. That sounds silly, but people say that all the time about Americans not being in this Shanghai cooperation organization. You wouldn't want to be in the Shanghai -- with the President going and the NSC being tied down for weeks while

the President prepares to go to Astana. I don't think so. I don't think it's worth it.

They were great comments. I agree with all of them, as always, and again, I'm not just praising Alan because he's such a great scholar. I just have learned so much from him over the years.

MR. DOLLAR: Okay. So I'm going to open the Q&A round, you're thinking about your questions. Tom, we just finished the strategic and economic dialogue, and I'm not going to ask you about the detail. I think that's --

MR. CHRISTENSEN: I've been traveling all week. I just read the report.

MR. DOLLAR: That would be going in a different direction, but my question is, is it smart for the United States to put the strategic issues, the climate issues, the economic issues in one big dialogue? As an economist, listening to you, I feel like you're talking about a lot of important issues, nonproliferation, Iran, DPRK, South China Sea. It strikes me the economic issues are rather minor, almost trivial, you know? You're the economist. I'm playing devil's advocate. Why do we put the economic dialogue, and I know that's an Obama Administration innovation, why put the economic dialogue on a level playing field with the others? Do you have any reaction to how this is working out in terms of building the relationship?

MR. CHRISTENSEN: Well, I would put it different. I think the economic relationship's really important. It has huge implications for the security realm as well. I'm not president of the United States, and there's good reason for that. I'm a patriot. I'd be worried if the country ever would want to make me president of the United States. But, you know, I think it wasn't a great idea to combine the two dialogues. I also thought it wasn't a great idea to make it an annual event and I think those two things are related.

MR. DOLLAR: Would you do it twice a year?

MR. CHRISTENSEN: Yes.

MR. DOLLAR: Okay.

MR. CHRISTENSEN: They used to be semi-annual. What was called the senior dialogue was really -- I participated in it. It was an incredible process. There were two good aspects of the senior dialogue. One is that we really talked about a lot of important issues all at once. Deputy Secretary Negroponte, in this case, before him Deputy Secretary Zelik, and Di Bengua, who's a really sophisticated, really terrific diplomat. So we covered a lot of different things. A lot of, what's called, trust building happened quietly around tables and over meals. There wasn't a lot of press coverage.

The second thing that was really good about it, because it was comprehensive, was these regional sub-dialogues where assistant secretaries of states for the various regional bureaus were meeting their Chinese counterparts for a day or two on a frequent basis. These people ten years earlier wouldn't have even known each other's names. They were talking about stability in the regions in which they worked, and sharing very different experiences. I can remember one on Africa where we were listening with great interest about Libyan politics. It became clear to me, and it became consequential later, that there weren't a lot of Libya experts in the U.S. government. We hadn't been there for a long time. People didn't invest their energy trying to figure out Libya, but the Chinese were there, so we learned.

It really was a dialogue. People think U.S. dialogue, U.S. going like this, right? We were listening to the Chinese. They had different experiences. They had different views on stability, what causes it. They can play different roles. That was very useful. I thought keeping them separate was a better idea. Having them more frequent was a better idea, but it's a still a good thing to have, and it's good to have scheduled high-level meetings because when the relations get bad no one wants to meet, and everyone thinks meeting is a concession. People want to kind of avoid meeting, but if it's

scheduled you have to be there, and you have to make a big fuss not to show up. So it's good to have, especially when things are tense, and things have been kind of tense.

You know, the last thing I'm going to say, relations between China and the United States are much more tense now than in 2008. China's relations with its neighbors are much more tense now than in 2008, but we shouldn't draw the conclusion from that, that the Bush Administration got it right and Obama Administration's screwing up. A lot of people they do these, sort of, simple metrics. The problem is China's more difficult to deal with now since the financial crisis. I mean, I think the financial crisis was a really big moment because China now feels a lot stronger than it did before the financial crisis relative to other actors, and it feels much more insecure at home. That combination really changes China's behavior in ways that you laid out in your question, David. I'll just say yes to your question. Yes, it does affect the way they behave. It's a bigger challenge for the Obama Administration, so you can't use that metric, things were good then. They're not so good now. The Bush Administration, the second term was successful, the Obama Administration's been -- it's not a fair comparison.

MR. DOLLAR: Okay. Let's start toward the back of the room. I see a woman with a red top.

QUESTIONER: (inaudible)

MR. CHRISTENSEN: It's a great question. I did read Jeff's piece. It's typically smart, to the point. It's a really good piece. I really encourage people to read that.

So yeah, China lacks a lot of strategically important allies. One of the reasons I say in the book, and I don't go into detail in a talk like this in 30 minutes is one of the reasons the U.S. has superiority in the security field is the United States has over 60 allies around the world, and China's got North Korea as a formal ally, and it's got a

good relationship with Pakistan which is, you know, a source of power, but also a source of headaches for China. But it doesn't have a lot of allies, and I wouldn't call Russia an ally. I think Russia and China are much closer together now than they were before. To some degree, because of U.S. foreign policy on issues like Ukraine, on issues like Syria. Not because of balance of power politics, but because of common interest and opposing U.S. initiatives.

The problem that I have, and I specify in the book, is I don't like -- where I think the Obama Administration made big mistakes is in rhetoric. If you had to choose between rhetoric and policies you would choose the mistakes to be in rhetoric, but I think the whole pivot/rebalance thing was a mistake. It creates a constant standard by which the United States' policy is being measured. It's inaccurate, first of all, we never left Asia. I see Jim Keith there. He was working too hard for us to have left Asia. I was in only the (inaudible) for a couple years. I don't have a long, illustrious career in the U.S. government, but I was gone from home for two years. How do I explain to my wife where I was if we weren't in Asia? Was I playing golf?

So it's inaccurate, but it's also unhelpful in the following sense. People don't want us to pivot away from their region, and it makes us sound like we can't do two things at once, which isn't true. So whenever there's a problem in Syria or anywhere else everybody in the region now says, you're rebalancing away or you're pivoting away, right? That's just the nature of the beast. We're very involved in Asia, and applaud the Obama Administration's diplomatic -- if there's anything to the pivot it's the diplomacy piece not the military piece or there's nothing from economics. There's no new economic initiative in the region under the Obama Administration.

But in diplomacy, joining the East Asia summit and then making the East Asia summit and the ASEAN regional forum about something. That was the real trick,

and having them actually discuss serious security issues and fight over stuff. That was a real accomplishment, and I give him great credit for that. But I think it's unfortunate that the Indians and the South East Asians are always asking for more because the U.S. set that bar. They set it very high, and people are always going to be disappointed. You're not quite there yet. What have you done for us lately to rebalance? I think it's unfortunately.

MR. DOLLAR: Alan, did you want to weigh in on this or...

MR. ROMBERG: No.

MR. DOLLAR: Okay. This gentleman here who's got his hand up. Can we get him a mic? Why don't we take two or three comments because there's always a chance that you have to notes, okay?

QUESTIONER: Dong Kuyu with China News Agency of Hong Kong. My question is for Tom, maybe also for Alan. I know you have a band of experience in dealing with Taiwan issue when you were in Bush Administration. Do you believe the Taiwan issue could emerge as a major issue between the U.S. and China if the DPP comes back to the office? Particularly, considering changing power balance across the Pacific and also across the street? And will the significant of Taiwan's role increase or decrease in the next decade when the U.S. is dealing with a rising China? Thank you.

MR. DOLLAR: This gentleman here? Yes.

QUESTIONER: Question about the Chinese economy. I'd like to direct it typically to Dr. Dollar. As you know, one of the stated goals of the Chinese government is to get consumer spending to sharply increase in China. Could you give us your opinion on how that is proceeding?

QUESTIONER: Thank you. My name is Jing Wen with Voice of Enemies Americans. Regarding South East Asia, would you address the fact that China

has built up many (inaudible) islands, the (inaudible) of the islands in the South China Sea and actually militarized the whole, on the islands, building ports and (inaudible) and potentially having a port there for nuclear submarine. And it has actually changed its attitude within the last six months regarding how provocative stands it takes.

MR. CHRISTENSEN: It changed its attitudes in which ways? The UC?

QUESTIONER: Claim is on the whole regions and it has already -- last year in December it announced the ADIZ in Sea of Japan, and this year was about to announce the ADIZ over the South China Sea. Its attack on the OPM, 4 million personnel, you know, information's from our OPM office supposedly being attacked and -

MR. CHRISTENSEN: Oh, personal management.

QUESTIONER: Yeah, yeah.

MR. CHRISTENSEN: Oh, I thought you were talking about the (inaudible).

QUESTIONER: So I wonder if your book covers that because there is a significant change between last year and this year within the last six months.

MR. CHRISTENSEN: Okay. I got it, so has there been a change, okay. Got it.

QUESTIONER: Especially in the South East Asia Sea.

MR. CHRISTENSEN: Okay.

QUESTIONER: And with the AIIB?

MR. CHRISTENSEN: Okay. Yes.

QUESTIONER: And the fact that it's trying to bring the IMP into the currency into the --

MR. CHRISTENSEN: Uh-huh. Okay.

QUESTIONER: -- global currency.

MR. CHRISTENSEN: Okay. I got it. Thank you.

MR. DOLLAR: All right, Tom.

MR. CHRISTENSEN: Well, I'll start with this.

MR. DOLLAR: And, Alan, I'm sure you're going to want to weigh in on this round.

MR. CHRISTENSEN: I'll start with the last set of questions. The South China Seas policies, as far as I can tell, the reclamation, land reclamation started quite a while ago. They accelerated over time. China came late to the game. They weren't the first to create artificial terrain and structures, but they do it, the way China does everything, big. A big process, you know, a big reclamation. I do think it's been provocative, and I think it's appropriate for the United States and others, it's not just the United States, to say look, you have these sovereign (inaudible), you have tension in the region already. This is provocative behavior that's unhelpful.

I think, from the U.S. perspective, the big issue is what it means, not the existence of an artificial island. What is an artificial island built on a submerged feature mean? I think it's incumbent upon the United States to demonstrate to China that we don't think it means much. It's not going to stop our military from operating very, very close. I hope we demonstrate that. Very, very close to these manmade features, and it has really no standing in international law. It doesn't project 12 nautical mile territory waters or the air above it. It certainly doesn't project EEZs, and China doesn't get to control the actions of the U.S. and other militaries in the South China Sea simply because it has the nine-dashed line and (inaudible).

I think that that's the real -- it's not whether they have land reclamation projects or not. It's whether does land reclamation projects are causing political

instability, which I believe they are in the region, and are they being interpreted in ways that could lead to real problems with not just the U.S., but with Australia, with Japan, and other militaries that operate in that region. So I think those are the issues there.

I don't know. I mean, Renminbi has been used more and more in trade. I think in general the AIIB is a good thing. I think that public reporting on the U.S. government's reaction to it isn't always accurate. I'm not really sure what happened. I can say in terms of public diplomacy, again, I think the U.S. government didn't do well. We should have very early on applauded this and then made demands or requests that this be done in a certain way that be more constructive than in other ways that it might be done, less constructive. But I think this is a good thing. China using its foreign exchange reserves to build infrastructure around the region. What's bad about that?

I'm not particularly considered about one belt and one road either. People keep raising Mackinder. I'm like why? What is China going to do if it has a foothold in Tajikistan? You know, he who controls Tajikistan controls the planet? You know, it might be good if there are economic links around the world. As I said earlier, these very robust economic links, I believe, are a force for peace. I don't believe international politics fundamentally is a zero sum game. So maybe we should be doing more of it ourselves. Maybe the way to compete is to give more infrastructure aid by the United States, do TPP and then invite China to join it? I don't know, maybe I'm naïve, but that seems to me to be the answer.

So, yes, China's doing a lot of things. China's getting bigger. It's going to do things. The question is, is it doing bad things or is it doing good things? I don't think the land reclamation is a good thing. I think AIB is a good thing. But everything China does doesn't worry me.

MR. DOLLAR: Should we let Alan take a shot at Taiwan?

MR. ROMBERG: Thank you very much.

MR. DOLLAR: And then Tom?

MR. CHRISTENSEN: Can I say something? I don't like the term Taiwan issue. It's a pet peeve of mine. When I was the Deputy Assistant Secretary I used to strike it off everything. Taiwan's not an issue. It's a democracy of 23 million people. Sorry, Alan. It's an American security partner. It's a miracle. Taiwan's a miracle. And the hope that I have, because I really care about China's future, not just because it's a fifth of the world's population, but because it's important to my country. That Taiwan can be a positive example for the mainland. That Taiwan can help foster positive political change on the mainland over time.

I'm not talking about revolution. I'm talking about setting an example of responsible government that it's answerable people, that has an independent court system, that has a free press, even though it sometimes gets very raucous. And that over time will be successful, and set an example of how a democracy can function. I don't see it as an issue. It is going to be increasing or decreasing in importance? To a large degree that's going to be determined by Beijing's behavior, not just by Taiwan's behavior. My guess is that the DPP will win the next election and things will get more interesting in cross strait relations as a result.

But how will the mainland react? Will it do some of the things that Alan suggested that maybe President Shi is more likely to take a tough stand and push and push. If that happens that will be counterproductive for everybody, including China and the United States. So I guess that's my answer, but I think when you start with the proposition that Taiwan is an issue in U.S./China relations you forget that Taiwan is much more than that, and it's important the United States. It's important the mainland. It's important to, obviously, the people in Thailand. It's important to a lot of other actors in

the region and around the world. If you start with that proposition I think you have a healthier approach to problems related to Taiwan's relations with multiple actors, including the mainland.

MR. ROMBERG: The question, as I took it, is will it reemerge as an issue, which it clearly has been in the past, if the DPP is elected. I would refer to back to what Tom just said at the end of his remarks that a lot this depends on what Beijing does. What we know is that the DPP is taking a position, Dr. Zhang Zhijun is taking a position which is seeking to -- well, she won't and the party won't exactly embrace the positions that Beijing would like. It's trying to set itself up as not actually opposing them in an active way either, and not acting inconsistently with the current situation.

So I don't have an answer for you. I think we're just going to have to see, but it does depend, very importantly, on how Beijing reacts to this. You know, frankly, if the DPP challenges, in an active way, some of the issues. If it promoted Taiwan independence or talks about one country on each side that would be one thing. I would be very surprised, very surprised if that we its position. But if it doesn't do that than a question for Beijing is, do you really want to create a problem that you don't need? I would expect there would be consequences if the DPP wins and hasn't embraced (inaudible) China. But how far they go, what their nature will be, what areas we would have to see.

Tom has laid out earlier a whole set of issues that Xi Jinping and his colleagues have to deal with. Unless they're forced, as I said in my remarks, on a core issue to the wall, which I don't see happening in terms of actions by a DPP government, I would think that they might want to consider what is the right way to approach this. That's the best I can do with that.

MR. DOLLAR: On the economy, you know, China's economy is slowing

down. They've overinvested in a lot of sectors, so investment's slowing down quite aggressively. I'm impressed that consumption growth has held up very well, so just mechanically consumption is increasing as a share of GDP, so they're beginning to meet their rebalancing objectives.

For that to continue I think there are a lot of reforms that would help. More thorough going hukou reforms, so more people can bring their families from the countryside to the cities, that would encourage consumption. Then most consumption in a middle income country like China, most consumption are services, and their service sectors are closed and uncompetitive. So I think opening open up the service sectors. That's where the U.S. agenda kind of overlaps with the domestic agenda there is opening up the service sectors like financial services, telecom, media, logistics. You know, that would really help with their domestic economic challenges. It would be good for China/U.S. relations

Let's take one more round. We definitely have time for three. I'm going to start in the front and move back.

QUESTIONER: I have two quick questions for Tom and for Alan. From what I've read, I understand that Xi Jinping has garnered to himself more power, in a sense, over the military and over the civil China than any leader since Deng Xiaoping. I wondered, you said when you wrote the book he was just coming into leadership, and I'd be interested in your perspective now of how you see him operating and using that power in China.

The reason I ask that is that I'm doing a book now on kind of the new emerging role for Australia and the militarization of Australia, the changing relations with the Philippians, and Vietnam, and Japan, and I'm thinking you pointed out that rhetoric of pivot or rebalancing was probably a mistake, but how can Xi Jinping and the power elite,

if you will, the power structure in China, see us not trying to contain them, to encircle them when we're doing pretty much normal sense? In essence, normal policy of helping these countries maintain their sovereign, their integrity.

But the Chinese, of course, because of our rhetoric, sees it as some kind of subliminal plan to encircle them. With Xi Jinping's new power I'm concerned about the fact that if he feels he's backed in a corner, we have a similar situation with a redline in Syria like Obama, and he's going to be somewhat pressured to back up the rhetoric and activities the Chinese have been doing in the South China Sea. So I'd be very interested in both your perspectives on that.

MR. DOLLAR: Okay. This gentleman right here.

QUESTIONER: Hi. I'm Chris Lee. I study at Cornell. I'm an undergrad here for the summer. I was really curious with regards to -- so the United States security ops in East Asia is primarily based on our Navy and Air Force. I think there are pieces of evidence regarding that when you consider that Yokosuka's a larger base and Subic Bay was a very strategically important one. Yes, there are large land bases in South Korea, but the reality is there that there has to be a recognition that the core possibility of using land troops exists in the United States mainland which is thousands of miles away.

By that virtue, and trying to cross-analyze that with Ji Yinping's speech at Seoul University, which I think was around two or three years ago, I'm not sure.

MR. CHRISTENSEN: Wow. I don't remember this speech at Seoul University. I have to say --

QUESTIONER: Okay. But --

MR. CHRISTENSEN: I'm supposedly an expert, but that's really a tough one.

QUESTIONER: I saw it because I happened to be in Seoul at the time,

not the university, the city.

MR. CHRISTENSEN: Okay.

QUESTIONER: And he doused his speech -- or rather, there was a noted emphasis of the common cultural heritage of the Koreans and the Chinese. That, I believe, the North Koreans interpreted that as a form of kind of abounding them, at least symbolically.

MR. CHRISTENSEN: Oh, yeah. Okay. I got it.

QUESTIONER: A North Korea symbolic. Then they, North Koreans, visited the Russian instead. So with that in mind, do you think there are any people in Chinese Ministry of Foreign Affairs or Xi Jinping's cabinet level administrators themselves that believe in the possibility of a neutral Korea? Because there is a prevailing view within South Korea that when it comes down to it our economic interests do lay with China more.

MR. CHRISTENSEN: Okay. I got it. Thanks.

MR. DOLLAR: And this woman here, okay?

QUESTIONER: Thank you. My name's Ju Xifung and my question is about the U.S. China about bilateral investment treaty.

MR. CHRISTENSEN: Oh, bilateral investment treaty?

QUESTIONER: Yes.

MR. CHRISTENSEN: Oh, good.

QUESTIONER: For you and also for Professor Dollar.

MR. CHRISTENSEN: Go ahead. That's real inside (inaudible).

QUESTIONER: So we know that the questions just exchanged a negative (inaudible), and I wonder what are your insights about following steps? What would be the next --

MR. CHRISTENSEN: They didn't share them with me. They should (inaudible) with me at Princeton, so. But I think it's good that they shared a negative, I'll say why in a second.

QUESTIONER: Okay. And what are the particular challenges between the two countries in this treaty based on all the challenges you described?

MR. CHRISTENSEN: Okay. That's a great question.

QUESTIONER: Okay, thank you.

MR. DOLLAR: I think this is probably going to be the end, so maybe we just have Alan go first.

MR. CHRISTENSEN: Okay, sure.

MR. DOLLAR: I'd like to give you the final word.

MR. ROMBERG: I think that the perceptions in China about encirclement have evolved. My sense, I have a somewhat different take on rebalancing than Tom does, but I do think that the rhetoric has not been, shall we say, disciplined and not always fortuitous. But my sense is that, first of all, when it was first announced it seemed to be certainty the Chinese, and I'm not sure without reasons, to be all about China and all about the military. It looked like maybe we were going to leave Europe and the Middle East in the process of doing that. So then they had to tack and sort of put this back together a little bit.

It was actually as early as that, that the economic piece came into it. Chinese assessments, in my experience, sort of changed for a while. Which was, well wait a minute, the U.S. does have broader interests in the region than China, and does have broader interests than the military. So while it is about us and it is a concern in security terms let's not get overwrought about it. I think it changed again over the Diaoyu/Senkaku issue when we expressed our reaffirmation, as Tom pointed out, our

commitment to Japan under Article V in the treaty, and then it sort of flipped back again.

But I do think that some other things have sort of worked against the sense of encirclement. For example, our decision to pull out of Afghanistan, now, we'll see how that sort of eventuates, but I think was sort of a wakeup call to a number of Chinese colleagues who said, you know, we really had to sort of rethink because we looked at the U.S. presence there as part of encirclement and now we're considered you're leaving, not concerned you're saying.

MR. CHRISTENSEN: Be careful what you wish for.

MR. ROMBERG: So I think clearly there is a concern the U.S. is seeking to keep China's influence limited and to effect its rise. But I think that they're also thoughts in the Chinese process that maybe it's not all about encirclement. Finding ways to cooperate together, and I think a number of the suggestions that Tom has made, are ways that we can begin to get at that. When you act together you, perhaps can, be more persuasive that, in fact, you're not the enemy, and you don't view them as the enemy. I would say that that's an important piece of that.

If I might just go back on one thing on the islands. They're not all submerged features. There are some of these that are --

MR. CHRISTENSEN: Some are rocks.

MR. ROMBERG: Based on rocks. Well, rocks do get a --

MR. CHRISTENSEN: Yeah, yeah.

MR. ROMBERG: -- twelve nautical mile --

MR. CHRISTENSEN: But they do without the --

MR. ROMBERG: -- territorial sea.

MR. CHRISTENSEN: They had them before.

MR. ROMBERG: They do. But my point is in terms of the U.S. response

and what we can and can't or should or shouldn't do it gets a little complicated because the --

MR. CHRISTENSEN: Right.

MR. ROMBERG: -- legalities of (inaudible).

MR. CHRISTENSEN: If it's a rock it's a different -- not Iraq, but a rock, right? It's a different problem in terms of the law of the sea, but if it is a submerged feature and sand has been poured. If we honor a 12 nautical mile territorial cordon around that I think it's a mistake because you're basically granting something that isn't -- I think I have no problem whatsoever with us operating military assets in that area.

MR. ROMBERG: Anyway --

MR. CHRISTENSEN: As if it didn't exist at all. I think not to do that is to invite this kind of interpretation, and you'll get more of this down the road. That's not good, it seems to me. I'm not being a hawk. I'm just saying we should stick to the law of the sea.

And on the pivot, I agree with you, I should have mentioned it before. One of the biggest problems, the most direct one in the book I talk about, the most direct problem with the pivot is we were signaling that we're pulling out of Afghanistan and Iraq and we're coming after you. Again, it wasn't accurate. Almost all of the publicly available military aspects of what's associated with the pivot were already entrain before the surge in Iraq. Before the surge in Iraq, when things were going really badly in Iraq we were doing almost all of those military pieces.

You know, the irony is everyone thought it was a big military initiative, it wasn't. It was a diplomatic initiative. You had East Asia Summit, signing the TAC. You have higher level officials going more frequently, and you had Burma, which I think was a really good break. But everyone was focused on the military thing because it had this

muscular language, pivot sounded muscular, so it must be military. It did feed into nationalism. I had tons of Chinese friends, who are moderate people, who said it was impossible to win an argument. People would just say, they're pivoting. You idiot, you naïve idiot.

Debates in China are consequential. We should feed positively into those debates not negatively. I think that rhetoric fed negatively into Chinese debates about strategy in an unnecessary way.

Should I answer the --

MR. DOLLAR: We're running low on time, but I was wondering if you could just quickly touch on each of the final questions?

MR. CHRISTENSEN: Okay. The BIT negotiations, this is a breakthrough, right? I bet you the negative list is really disappointing. People might not know what a positive and negative list is. The United States had been pushing back from when I was in the government to, not me being an important actor, I'll say when I was in the government I remember the United States government was pushing the Chinese to accept the principle of a negative list which basically says, in negotiations over investment there is a list of places where you can't invest because of national security or other reasons, and everywhere else you can.

And the Chinese always wanted a positive list, here are the areas where you can invest, and you can't invest anywhere else. So China accepting during the Obama Administration's negotiations with China the notion, the concept of a negative list is a big breakthrough. Now, I'm sure the Chinese negative list is way too long for American's liking, but at least just starting down a process of a common idea about what a BIT should look like when it comes out. I was joking, but I wasn't really joking. They didn't share the list with me. I don't know how disappointing or not it was. I guarantee it's

not the last word on the matter, whatever it was, and I guarantee it's way too long for American tastes, but at least it's a negative list with the assumption that everything else is open.

With Xi Jinping and North Korea my sense is lots and lots of Chinese elites can't stand North Korea, right? And you hear it all the time when they talk privately. These aren't our friends. We don't particularly trust them. We worry about them and the behavior. But they're our allies. We have an alliance with them and we don't want to see them disappear. We don't want you taking them out.

I had mentioned in the book where I think we got China to pressure North Korea. We didn't get them to pressure. They had reason to pressure North Korea, but they were willing to pressure North Korea, and one of the things that we did in late '06 was offer a very generous package through the six party process that North Korea would enjoy if it really denuclearized. And it was very impressive. I remember being surprised when I first saw the draft, how forthcoming the United States was willing to be with North Korea. I think it removed, to a large degree at that time, the notion that the United States was the problem. That the United States threat of regime change was the problem. The Axis of Evil was the problem, not North Korean provocations. And North Korea was particularly obnoxious in that period, testing, blaming China during the six party talks process for being unconstructive, in China, in their house criticizing them.

At the same time, the United States was maximally consolatory, and you got pressure on North Korea, and we got the disablement process. The only physical progress that happened during the six party talks happened in that period because all the things were aligned right. This gets to Alan's question. I think it's an important one to finish with which it will China push North Korea over the edge as an intentional act, and if it's not willing to do that can you get the (inaudible)?

My sense is there is hope for denuclearization in North Korea. If China seems to be taking actions that the North Koreans might believe might lead to instability, and if there's anyone more scared about domestic stability than the Chinese Communist Party it seems to be the North Koreans. So you just have to get the pressure. Because when China pressures North Korea it gets their attention in a hurry. Chinese diplomats like to say we don't have a lot of leverage. They're right when they say they can't micromanage North Korea's decision, but they have a lot of leverage over North Korea. The North Koreans know they can't do without China for very long.

It's important to get China to pressure on those things. It's very difficult to do. One of the ways you do that is to say we're not trying to overthrow the regime overnight. It's painful. I would love to see the North Korean regime go away on human rights grounds, on strategic grounds, for a whole range of regions, but what can you achieve at an acceptable cost, and how do you get there? And how do you get there without China? If you claim regime change as your goal you're not going to get Chinese help. If you're not going to get Chinese help you're not going to get regime change, it seems to me. So it's a tricky piece.

I think that President Shi, if there's been a change, he has been much less warm to North Korea than his predecessor, President Hu. I've noticed that. But I haven't noticed a big drop off in economic activity, and I haven't noticed a big new tranche of pain being dealt to Pyongyang to change its behavior. In fact, the relationship, the economic relationship, from what I can tell between China and North Korea is much more robust now than it was back in 2008.

MR. DOLLAR: But China didn't let them join AIB.

MR. CHRISTENSEN: Yeah. I've spoken for too long. I'm really grateful for this opportunity, and I'm really grateful for all you coming out on such a lovely day.

Thanks for your questions. Thanks for your attention. I hope the book is clear. You don't have to agree with it. I hope it's clear.

MR. DOLLAR: But you have to buy it.

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