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P R O C E E D I N G S

SPEAKER: Thank you, everyone, please take your seats so we can get started. Thank you.

MR. LI: Please be seated. Good afternoon. My name is Li Cheng, and I'm the Director of The China Center here at Brookings. It is my honor to welcome you to today's event, on the state of U.S.-China relations. The event is co-sponsored by our distinguished guest, colleagues from the China Institute of International Studies, or as we fondly refer to as CIIS. Please do not confuse them with CSIS.

We also have a few distinguished scholars with us today. And the CIIS is a leading Chinese foreign policy think tank directly affiliated with the Ministry of Foreign Affairs. Brookings has a long history of collaboration of with CIIS, and only a few months ago, Brookings Executive Vice President, Ambassador Martin Indyk and I visited their beautiful headquarters in Beijing. By the way, that Martin sends his warm regards to you and your colleagues.

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I'm thrilled that we have this opportunity to hear keynote remarks by Ambassador Su Ge, who, only recently was appointed President of CIIS. His remarks will be followed by a panel discussion featuring both Chinese and American perspectives on U.S.-China relations, in advance of President Xi Jinping's state visit to Washington in late September, less than two months from now.

President Su Ge is no stranger to the United States. He owns his Master's and PhD Degree at Brigham Young University in Seattle -- I'm sorry -- in Hawaii --

SPEAKER: In Utah.

MR. LI: In Utah. Okay. So what's the university in Hawaii, is it a different one? Oh, college, thank you, for correct me. And he served as Minister-Counselor at a PRC Embassy in Washington, between 2003 and 2006. Is that correct? Okay. Thank you.

And he has gone on to serve as the Chinese Ambassador to Suriname, and Ambassador to Iceland.

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I'm sure that his time in Suriname prepared him well for this heated weather in Washington, D.C., but my guess is that he's wishing he were in Iceland at the moment, instead.

However, we are so pleased that he and his colleagues have braved the heat to be here with us today, to herald a more conducive climate for U.S.-China relations in advance of President Xi's visit. With that, please join me in welcoming President Su Ge. (Applause)

Please also, have the Brookings tradition, while we are talking you are eating, so we will continue that program. It will last for about one hour and maybe, you know, one-hour-and-a-half. Okay, please?

MR. SU GE: Thank you very much, Dr. Li Cheng. So, when I got the invitation to this working lunch, I thought now, well, lunches in America are now free. That is you've got -- you are asked to say a few words that means lunches are not free.

Well, to return to the academic world, to

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me, if I quote the Chinese saying, my feelings is that I'm like a fallen leaf, which returns to the roots of the tree,落叶归根呐. And I would like to -- it's my great pleasure and honor to meet all of you, and at the prestigious Brookings Institution to share a few thoughts with you about how the United States can jointly build up a new mode of major country relationship between the United States and China.

As you all know, now we are maybe in a flat world, mass media plays such an important role, and what we see from the mass media is that there has been a -- seems to have a growing mistrust between China and the United States. Some people worry about a tipping point, others predict that it looks like the United States, the status quo power are China and the rising one, these two are inevitably going to have a -- embark upon the road of conflict.

A fate described by the Greek historian, Thucydides. Well if I may quote a line from the American Linguist, Noam Chomsky, because he talks

about the surface structure, and deeper structure. I thought that if we take a look at from the deeper structure, and my personal opinion is that U.S.-China relations would not seem that gloomy and it seems that the basis of cooperation between these two great countries is still solid.

Now, Chinese think tankers very often talk about the two sailing trends in international situation, meaning globalization and multi-polarization. What would these two trends mean for the relationship between U.S., the United States and China? I tend to see this as globalization means that there is an increased -- increasing interdependency between China and the United States, hence the two countries need to have more cooperation.

And the multi-polarization would mean that problems in the world are growing to be more and more complicated and complex, and the problems would be harder for anyone to handle them single-handedly, and probably need to be resolved through concerted efforts, hence the more need for the United States and

China to consult with each other since they are now the number one and number two economies among others. Of course both are members of the Security Council of the United Nations.

And as you can see that, as a student who has been trained from both China and the United States, I already started my argument from the well-known three or multi-level analysis in the international relations, and I just started with the analysis on the international level. If I proceed with national level, and the personality level, here are some thoughts how I would see as representing the converging points, so far as the national interests are concerned between United States and China.

I would think that despite the myriad of differences portrayed by mass media, and of course with our mass media people here, I dare not to say anything bad about them, but it seems that the mass media would normally portray or carry something sensational. If a newspaper carries news about a

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train leaving the platform on time, or an airplane arrives with all its passengers on board, who is going to read that newspaper.

So, my point is that, U.S.-China relations, well got to have differences. However, when they are portrayed by the media, and certain things may have to be enlarged, I think that when you look at the deeper structure of the United States and China, national interests, I tend to see both sides would lead a peaceful and a stable international order, especially when we are commemorating the 70th Anniversary of the war against that fascist world.

Now both will lead an open international market, and the freedom of their seas for normal world trade. And we have carried out effective cooperation, in the United Nations, G20, APAC and Iran nuclear issue, Korean and Southern Sudan, just to say -- just to mention a few. And in counterterrorism, and in the prevention of weapons of mass destruction, and in -- even in transnational organized crimes, et cetera, we carried out effective cooperation.

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And the two countries have agreed on an extensive agreement on emission reduction and setting an example to the world, and we have also cooperated in fighting against Ebola in Africa. So, these are a few examples to show that we do have, and we can, we do have convergence of the important national interest. And China and the United States, speaking of the bilateral economy, and trade, economics and trade, the United States and China, we are each other's second-largest trade partners.

The bilateral trade reached 591 billion last year, and is showing an increase of 5.1 percent. And with the possible agreement on the BIT, and we can have good hope for bilateral trade, and bilateral investment to enter a new stage. Now, when we already talk about something -- talk something about the international and national level, then we move on to decision-making.

Well, the new model of major country relationship has been, I think, talked about by the two Presidents. Firstly, and they talk about it at

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Sunnylands, and also they talk about it at Zhong Nan Hai. And what does that mean? And I think there has been a consensus so that both countries would consider building up a relationship would contain non-confrontation which will be based on mutual respect and to strive for a win-win end.

I think that President Xi Jinping is going to have his first state visit in this coming September, and this will be the last state visit from China, President Obama is going -- I mean, the delegation of President Obama is going to receive during his presidency.

Well, by mentioning the last, we do not say that it's not going to be important; we mean that it's going to be an important occasion so that the Summit Meeting will have an important historic legacy, which would -- whatever they agreed upon would have lingering impact on the ensuing years to come.

Therefore, I think that the visit and the Summit Meeting will open up a new prospect for mutually beneficial cooperation between the two great

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countries. Then I would say that historic events seem to demonstrate that China and U.S. are mutually beneficial if they stick to cooperation, and confrontation will be harmful to both.

China and United States need to seek common ground and manage our differences, and not challenge the vital interest of one another. And in the days to come, I tend to have good reason to expect that the United States and China would make efforts to strive for the win-win result in their bilateral relations, and thus making their contribution, not only to an everlasting good relationship between these two great countries and two peoples, but to lasting peace and development in a specific basin and the world. Thank you very much. (Applause)

MR. LI: Thank you, Ambassador for that very comprehensive and also concise 10-minutes remark. And let's give Ambassador 10 minutes to each, then I will ask the Panel, come, then also ask Ambassador to answer questions. So how about 10 minutes, please, enjoy.

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(Recess)

MR. LI: Could you hear me in the back?

Okay. Good. We will start the Panel Discussion roughly for about an hour. And let me introduce some Panelists other than myself of course, and also Ambassador Su Ge, who just delivered the keynote.

The person next to me is Dr. Tang Jianqun, he is Director and Senior Research Fellow in the Department of American Studies, and with CIIS. He is a leading expert on security issues.

And also, Jonathan Pollack, my colleague, who, he is a Leading Scholar on Security Issues in the North Korea, and also Chinese National Defense; and he is a Senior Fellow at John L. Thornton China Center here at Brookings.

Last but not least, Richard Bush, is the Director of Northeast Studies Center here at Brookings, and he will leave earlier because of another engagement, and when he leaves, a secret colleague of mine, David Dollar, at Brookings will join in to talk more on economic issues.

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So, let us start the conversation. First I wanted to pose every one of them a question, and for Ambassador Su Ge, and I was very happy to hear you talk about the three levels of analysis by Kenneth Warder at Berkeley in the 1950s, also called the three images. Basically look at the international relations from individual leader, from nation state, from international system.

Now, there's a concern in the United States, a worry about China's increasing assertiveness in foreign policy, and someone said, it's quite a proactive or even aggressive. Now, in your view, or if you fine with that you use the three-level analysis to tell us why that kind of worry, that kind of concern is not well grounded.

To look at Xi Jinping or other leaders, look at China as a nation, to look at the international system in today's world, why cooperation will be the theme. And how China plays an important or status quo' spower, in the international system.

Now, for Mr. Teng, since you are an expert

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on security, as we know that there's some tensions about serious concerns in both country about cyber security. Do you think it will be possible there will be some breakthrough during President Xi Jinping's to the United States? Something like what happened during Obama's last trip to China, the climate change, we made some historically important agreement in terms of climate change, reduce air pollution, and et cetera. So, if so, what barriers we should overcome?

For my colleague Jonathan Pollack, that there's increasing concern in Beijing and in China, some people believe that the U.S. policy towards China has changed, especially Washington, atmosphere has changed. Now, could you tell us your observation, whether that view is valid or you think that, you know, the U.S.-China relations or U.S. policy, White House Policy towards China has not change? And could you respond about that concern, especially from our Chinese friends?

And finally, for my colleague Richard Bush, that early we heard that Ambassador Su Ge mentioned

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that Xi Jinping's visit will likely be the last summit between these two top leaders. As we know that Obama, in his final couple of years, he really determined to do things, what he thinks is right. He is not interested about domestic policies anymore, so whether it be Cuba, Iran Deal, and et cetera, he wants to do right things. And in your view what are the right things he should do with this state visit? What are the areas or possible mistakes he should avoid or being seen as opportunity lost.

So these are the questions. Since, Richard, you are the person to -- Oh, it's okay. So let Ambassador Su, to answer my question about why some of the worry in Washington and the United States? And also China's neighboring countries, about China's new foreign policy, China's growing power or the views about assertiveness, aggressiveness may be not valid from your perspective?

MR. SU GE: Thank you very much, Dr. Li. And I'm so glad to share this fortune with my colleagues here. We have been friends, and in

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addition to colleagues, for a long time. And you raise an excellent question, however, in order to answer this, I would like to share with you, what I have found -- I would like to share with you just on finding during my visit, a recent visit to Europe.

I visited European Center for China Studies in France, they also use the term assertive about Chinese foreign policy recently, however, they added, now it seems to them Chinese foreign policy has not only been assertive but reactive. Said well, when you see there's a few things China has to make response, Chinese foreign policy have been making reactions to a few things which have been initiated by our neighbors.

For instance, Diaoyu Dao, it has been there dormant since, let's say, Deng Xiaoping's visit to Japan in the '70s. Deng Xiaoping says, well, we have different opinions regarding Diaoyu Dao Island, and at the moment we need to proceed with normalization, with China's modernization program, and these are our paramount tasks.

As for these islands, our future generation

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got to be wiser than us, of course owing through the most recent approaches of the islands of this and that, and China had to make a response, so I wouldn't want to go into details for this impressive group of gathering.

Now, you asked me to give an answer from the international, national, personality levels, I would be glad to do that. Now, speaking of the international level, when you look at the Chinese foreign policymaking, you tend to see that against the background of globalization and multi-polarity, China has been a benefactor, of course China is a participant, and we'll be making -- and we will be having more consultation with the United States, as a responsible member of the international community, or try to make a contribution there.

But China has been a benefactor. There is no reason why China should upset the whole international setting, only in our foreign policy you can see that the China now states that we like to, together with the international community, we try to

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reform some of the existing orders which would not be in conformity with the wishes of the international community. It's not your order or change or upset the whole basis of international order, so to speak.

I think China is the one which would definitely need a more lasting peace and international order which they have -- to promote peace and development, and we would want a peaceful and stable international and regional situation for China's domestic construction, and for the raising of people's living standards, and for China's legal reforms, and so on and so forth.

That would bring me to my viewpoint on a national level. I think that during our discussion earlier, I think some people write -- fully put forward the notion that as the country grows, so do the national interests. Speaking of China's economic development, as you see that in the early stages, China had more emphasis on attracting direct foreign investment, attracting to China foreign technology and invite -- provide a platform for foreign companies in

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China.

So we would call the whole process as a 请进来, that is inviting people to come in. As China's economy develop to a certain stage, only by relying to inviting people to come in, it's not going to be sufficient for the economy. So we have to adopt a new strategy which would be a combination of both invitation, inviting others to come, or we invite others to join us so that the two of us, we would go out, reaching out, outreaching.

That means the 请进来 and 走出去, and it would be a combination. And speaking of the -- China's opening to the outside world and China's reforms I would like just to use this example so as to quench some of the - or ease some of the anxieties or worries of our Americans -- some of the American friends, because some people are saying that China is now tightening some of the domestic controls.

It looks like China is going to continue with the domestic reforms, but narrow the doors of

opening into the outside world. I would like to use this One Belt and One Road Initiative just demonstrate that China is not only having the emphasis on domestic reform, but that China is going to remain on the road of opening to the outside world.

But during the westward movement initiative, just by opening to the outside world, because China is not going to do this alone, this is an ongoing process, we would like to invite the United States companies, the United States high tech to come and join with the Chinese production capabilities, so the two of us, together with members of the international community, we can explore new frontier in the Euro -- in West Asia, and Europe.

That being said, my personal opinion is that by opening to the outside world, which is the direction China is likely to go on, and in turn, it would push domestic reforms to another higher stage in Chinese 我们叫这个对外开放, 倒逼国内经济改革, by opening to the outside world you can exert a force so that

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domestic reforms would move on and go to another higher stage. Okay. I will only use this as one example.

Speaking of personality level and decision-making level, I'll only say that probably to any -- I cannot speak for our President, however as a student of international relations, and politics, I tend to feel that for any leaders at that level, he has to face a whole -- a myriad of different situations, scenarios. Now Chinese leaders often have a saying in that, it looks like we are now living in the flat world.

Domestic situation are more and more intertwined with international situation, anything domestic you will find maybe more and more report by international press. And what happens internationally, and than it would have the impact on China's domestic situation, for instance once I accompanied the Chinese leader when I was Ambassador to Iceland. You know, 2008 the world witnessed a financial crisis, and that Chinese leader, when I come

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to him, I asked him about his agenda, what he would consider most, as a day's work with the staffing.

He said, well, where you start you'll think that this year we are going to have additional 5 million to 6 million college graduates, can we find enough jobs for them. He said, I have been to the ports many times in Shandong. He said, this time when I was there in my visiting, when I got out it's not business as usual, it's like -- it looks like the production is -- and there were fewer, very few people on the docks.

He was saying that, that whatever happens in Wall Street, you can feel that impact not only in Chinese docks, you can -- even the peasant and workers in China can feel about it. So that piece, I think that -- to have a favorable -- a stable international situation is connected with Chinese domestic reforms, and with Chinese domestic politics and economics.

And with that said being said, I think that when China and the United States, we look for ways to easing our differences, and we look for more ways to

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corporate, and I think that would be in alignment with Chinese national interest, and I think that would be good for -- that's something the Chinese -- ordinary Chinese people would wish to see. We want to be friends with the United States.

MR. LI: Thank you very much, Ambassador, you know, for spending time to answer my question in details. Now let's, before the Q&A, I want to turn to Richard Bush, since he will leave earlier, to answer my questions, then I will leave the floor open for Q&A, for these two early speakers. Then, how about that? Okay. Richard?

MR. BUSH: Well, I'll be brief. Thank you, Cheng. It's a pleasure to be on the same Panel with Dr. Su Ge, Ambassador Su Ge, whom I deeply respect. As a prelude to my answer, let me say that I have no doubt that President Xi Jinping and President Barack Obama will interact with each other with deep and genuine respect. That's a given.

So what should they avoid? I think they should avoid polite talk at a high-level of generality

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that avoids critical issues. Because they have respect for each other, they can be frank with each other. So I don't know what will be on President Obama's mind, but I expect that he will not avoid talking about his concerns concerning cyber security, activities in the East Asian maritime domain, trends in Chinese domestic politics, and so on.

I don't know what Xi Jinping is going to talk about, but perhaps it will include the U.S. rebalance policy, U.S. relations with our allies and their impact of those relations on East Asian security. U.S. military operations in East Asia, and U.S. views of the AIIB and One Belt One Road.

Now what opportunity should they seize? I think what is probably most important is that they agree on a work plan that the two countries should undertake for the next 18 months, through the remaining time of President Obama's Administration, and focusing on issues that require presidential leadership. Are there a lot of issues in the relationship, and a lot of them can be dealt with

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through the S&ED and through agency interaction.

But some issues really require president interaction, and presidential monitoring to ensure that they are being addressed with the best interest of the two countries involved. And I think that that would be a very useful initiative. Thank you.

MR. LI: I want the audience to, you know, have a chance to ask questions for both for them, but before that I have a follow-up question for my colleague, Richard Bush. I agree with you that we need to talk about tough issues, but as we should keep that in mind, we are not only just dealing with the President, but also dealing with, you know, the nation, 1.3 -- 1.4 billion people.

There is a growing concern that the United States always want to lecture China, or even, you know, humiliate China. This will be a wonderful opportunity for the President communicating with the Chinese public, because the media, you know, will cover extensively. So, in that regard, how you seize that opportunity to convey American goodwill in what

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way will be the most effective?

MR. BUSH: Well, it's a good question I guess the answer that comes immediately to mind is to do an interview with CCTV or some other outlet before the visit, an extended interview which, by mutual agreement, is going to a broadcast in its entirety in China; but where he can sort of reassure China about our fundamental intentions, in the same way that Su Ge was talking about reassurance of the United States.

MR. LI: Thank you. Actually Tian Wei is in the delegation, she will be ideal candidate to interview President Xi. Where is she? can we?

MR. SU GE: Just because of the visa issue from U.S. Embassy she had to consider being --

MR. LI: Oh, that's terrible. That's terrible; because as we know she is the Anchor Woman of the English program CCPV. And so now for our audience; I'll maybe start with journalist, either American journalist or Chinese journalist. Mr. Chen from China Daily.

QUESTIONER: Hi. I am Chen Weihua from China

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Daily. I want to ask Richard, you talked about they shouldnot avoid to talk about such as sensitive issue. But it's not -- it seems to be, it's not just talk, it's talk that maybe since Sunnylands. But what China-U.S., each side should specifically do, maybe to compromise on the concessions, on both the sensitive issues, and what they are willing to do, and what's your suggestion? I mean, obviously not to shut down the medias, as Ambassador said, we are to blame for the souring relationship. Thank you.

MR. BUSH: Well, it's a good question.

First of all let's be clear that this relationship is not all about conflict, there are areas of cooperation. The Iran Agreement is a good example of that. I think that there may be opportunities in the cyber area, where there can be agreement at the top, on certain aspects of the cyber realm are off limits, to the activities of the other side.

And so critical infrastructure seems to be one where there's a mutual interest that neither side will attack the other. Can that be sort of pursued in

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a way that increases mutual confidence and allows for proper monitoring? I don't know, I'm not an expert at all on this but that's one idea that comes to mind.

MR. LI: Thank you. Any other questions? Yes, please. Here, the microphone, wait for the microphone. Yes.

MS. BRENNAN: Hi. Margaret Brennan, from CBS News. Thank you for doing this. Ambassador, I'm also, I'm interested in many of your thoughts, but in your thoughts in particular on this issue of cyber, because since Sunnylands, there have been a number of reports, very high-profile cases of hacking that many U.S. officials have privately linked, and said that they have great suspicion that Chinese hackers were behind it.

I'm thinking of course of the OPM hacking. Today there was extensive reporting in the Wall Street Journal about United Airlines, a commercial airline company allegedly hacked by Chinese hackers. So, since Sunnylands have you seen any progress? Have you -- what is the thought in China? What do you expect

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to happen in September?

MR. SU GE: Thank you very much. That's another very important question. Of course I cannot speak for the President. I'm not a cyber specialist, however, just from the Chinese -- or just from the viewpoint of a Chinese think tanker, I tend to see this as -- in this way. For instance, a glass with half glass of water, whether it's a glass half-empty, or half full, I tend to, instead of having more pessimistic view, I tend to have a more positive view on this.

For instance, in China-U.S. we have lots of different issues regarding the South China Sea, cyberspace, et cetera, instead of only finding differences, can we find a way so that we can look for positive results, a direction in which both sides can cooperate. For instance I think of cyberspace, I mean security, is of such a vital important area, I think that both the United States, not only the government but the cyber, the website, the users, both, we all want safety and effected usage, and a passage of

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information.

I thought maybe at the level of the Presidential Summit Meeting, they have very limited time, I think that prior to that, maybe it's a good idea for think tankers for a concerted, like groups, working groups to meet so that they can put forward insights and policy solutions.

For instance, both sides would recognize the importance of security and safety of the Internet, and neither would want to attack the most vital installations infrastructure of the other; and then both sides would look for ways so as to make certain that we have exchanges in this regard. So I think of some positive ways so that we can move out from this - - from this debate.

I think so that the -- at the Presidential Meeting, both sides, they would talk about -- of course I agree with Richard when he said that the Chinese, normally, because of historic, of Chinese culture, Chinese tend to think about something general, so when we tell each other, let's make

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friends with each other, we do not ask each other what can I do for you, or what can you do for us?

And during the last few S&ED and we took note of the fact that United States wanted to have something concrete. We wanted to have something which might be called the deliverables, so that both sides agreed on over 120 new agreements, and then after that people -- we find that people will say, well, that's a little too many, it's hard for us to remember what we have completed.

But anyway, I think that if we adopt, for instance, in addition to that, we can also talk about climate change in addition. By the way, you've definitely, got a climate expert sitting here. Why? When I was transferred from the Caribbean to Iceland, the President of Iceland asked me, hey, how -- why is this change, you were stationed close to Ecuador, now close to the North Pole. I replied, against the background of climate change, you've got to have an expert. All right. Thank you.

MR. LI: We'll go back to the cyber security
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issue, and first so that, David, would you please join us. Thank you, Richard. Yes. I want to follow up the cyber security issue to our distinguished Panelist who is expert in this area, and particular mil-to-mil relations.

And when we talk about cyber security we actually also refer to three sub-areas. One is that, we certainly talk about the hack. The second is commercial espionage. And the third is like the excess of the market, like Facebook, Google, or LinkedIn, and also there's some freedom of the Internet in China itself. There's kind of three issues; now, I'm sure that all these issues will be raised, and in your view which area has the potential to reach agreement, even become headline for Xi Jinping's visit.

MR. JIANQUN: In terms of the cyberspace security, actually, I think the Chinese Government and the U.S. Government, both attach great importance to the cooperation in this regard. To my knowledge, I think the first question raised by your President, by

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President Obama during Sunnylands Meeting, was cyberspace security; actually it should be a surprise to our President, why the United States' President gave such a question to the meeting at that time.

I think China and the United States both have different understandings approaching to the cyberspace security. And, you know, we talked a lot about the cyberspace security, for example, the -- not to use the website as a platform to some anti-government propaganda, which will gave a lot of trouble for the stability of China. And we learn the lessons from the Arabic Spring in recent years.

This is actually our attention on the cyberspace security, and why the United States has attached importance to the anti-criminal activities in cyberspace; not only the espionage but also the hacking activity by non-state actor, and some others. So, we have different understandings on the definition at least of cyberspace security.

And actually, the wider use of information technology has completely changed the social life, for

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example, I joke to my friends in Stanford University the day before yesterday. I think that WeChat has completely changed -- the joy, the life, the communication, even between the husband and wife. You know, my wife, returns to home after 10 hours' work from her office, she will pick up her cell phone, and just play the WeChat, and no communication with me. I hate the WeChat.

So this is a complete -- this completely changed the social life, or even the communication between wife and husband. So I think we are facing the common challenge, but at this moment, to my understanding, China and the United States, you know, have different understandings.

Dr. Li Cheng just asked, what is most serious barrier, or obstacle on the way for China and the United States to cooperate? I think the consensus, the United States has attached importance to the anti-criminal activities in cyberspace, while China might be, you know, has attached real importance to the sovereignty in cyberspace. This is the big

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between the two countries.

So the first, I think the largest obstacle we are facing now, is can we have a consensus to cooperate in cyberspace for the security and for the safety of this new domain?

MR. LI: Thank you. So probably you agree with Ambassador that maybe both sides should sign agreement not to attack, you know, infrastructure or this kind of basic principles. We need to reach some agreement, at least.

Now, I wanted Jonathan to answer my question about whether Washington has changed regarding the policy or China. But also since David just joined us, I also have a question for you. Do you think that China, you know, President Xi Jinping will invite Obama again to join AIIB? And if so, what the, you know, answer he will give, I mean from Obama, in your view, because you worked in the Treasury Department before joining Brookings?

The same things with the concern about TPP, of course that is still, it's not signed yet, but in

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two months, probably we'll have an even better sense, so what's the U.S. position regarding the future scenario of China to join TPP? Because there's some - - there are two different views in China, when you think that TPP will -- China is to ready in many ways. The other think is that this is part of the you know, to try to exclude China in the international economic integration; so, your position on that. So, Jonathan first?

MR. POLLACK: Thank you, Cheng. President Su, I can't resist the temptation when you pose the issue of your glass of water is it half-full or half-empty, I could fill and then we won't have to ask that question anymore.

The question Cheng has posed to me is, in a way, a very, very simple one, but also a very, very complicated one. We ask questions of the predominant directions of U.S. policy towards China. It's of course dominated from the White House, but it involves many, many branches of government or different parts of the bureaucracy, so often we have to ask who in

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particular are we trying to show show a light on.

But having said that, policymakers generally don't have the luxury of starting from scratch; they can't reinvent the world on the basis of momentary trends, policy machinery, very, very seldom, if ever, works that rapidly. There is, in fact, if anything much more continuity, I would argue across administrations. But what we have as factors, that are influencing this perception, is the fact that the tone and the tenor of coverage both in the mass media, in both countries, and among those we like to call the commentariat, seems quite different.

The question is, why? On the one hand we could say by the very nature of the media process seeks controversy, contention, it has to -- that's the line of work that they are in, otherwise, what's the point? If you simply report good news or boring news it's not going to get the attention you want. And at the same time, often, the loudest voices are the most privilege voices.

So the other factor, I think, that

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influences this of course, is the looming presidential competition for nomination, and then for election.

There are many people who aspire to be advisors, and to influence this process. All of this of course is very much related to the question of how big might China be as a factor in the presidential election?

Frankly, I think there are foreign policy issues that are going to be much, much bigger. Iran, Russia, the continued upheaval all across the Greater Middle East, probably will be larger, but that doesn't mean that people don't try to inject these issues in, in the process.

But, having said that, and having, you know, expressing my wariness about the starkness, often, of the pictures that are being presented of the decision-making process, these controversies have not arise out of thin air. They reflect real issues as we are talking about already on this panel.

So the question, I think, we have to ask ourselves, even if I don't see some kind of an abrupt change coming in U.S. policymaking, is do we see these

controversies as simply the growing pains of an evolving and much more complex relationship that needs to be intelligently managed over time? Or, are we at the gestational stages of a longer-term competition that contains adversarial or quasi adversarial dimensions. That's a very big issue, I'm not -- I'm just flagging it, maybe others want to react to it.

The real question would be, whether or not there is a sufficiently-shared awareness of the risks posed by the latter, that it receives the kind of careful attention that it deserves in both policy processes?

MR. LI: And David?

MR. DOLLAR: Okay. Thank you very much. The first question was about AIIB. I think it's widely agreed in the United States now that it was a mistake for the U.S. Government to try to oppose the launching of AIIB and discourage allies from joining. President Obama most recent statement about it has been -- was relatively positive, you know, welcoming the development of new financing for infrastructure,

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encouraging The World Bank to work together with AIIB.

It's hard to see the Obama Administration changing gears and trying to join at this point, it will be very hard to get this through Congress, you know, I think the nature of diplomacies. It's just more likely we'll see a further positive statement from President Obama about the potential for AIIB and the desirability of having The World Bank work together with it. That's the most I would expect in that front.

The TPP question is very interesting, the trade ministers are meeting in Maui this week, hopefully they are not on the beach, hopefully they are locked in a room and no one will let them out of the room until we have an agreement. So, still some difficult issues but I'm cautiously optimistic it will be agreed this week, which means it can go through the whole approval process in the U.S., and actually be voted on by Congress before January.

You know, before our Presidential Election season really heats up. That's quite positive. China

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is not part of the negotiation, as soon as it's agree, I think new members will be on the agenda, South Korea, perhaps Indonesia will want to join quickly. As I see it, all the members want China to join, the benefits will be much larger if China joins, it will be a big step for China, and I see the Bilateral Investment Treaty is a very important step in the right direction because the BIT includes a lot of the measures that are in TPP but it -- you know, it's not, but many measures are not covered.

So, if we can't negotiate the BIT, then there's no real progress for China to join TPP in the foreseeable future. I'm disappointed that the BIT negotiations are going slowly, and China apparently came with an initial negative list which is very long and disappointing to the U.S. We are not going to reach an agreement on that before President Xi's visit, but the two sides are supposed to exchange new drafts of negative list in early September, if China comes with a significantly improved negative list, that will create a positive momentum for negotiations,

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so you can imagine the two Presidents, you know, agreeing to move ahead aggressively.

But that really will require China to open up a lot, the problem is China's service sectors are almost completely closed, China is the most closed to the G-20 countries when it comes to foreign investment, and so I agree with something Ambassador Su Ge said, this will be a big positive push for China's domestic reform. So this is the best hope on the economic side, is that the two aggressively pursue Bilateral Investment Treaty.

MR. LI: Thank you so much, David. Very clear answer. So, audience questions, anyone. Yeah, Alan; yeah, please? One microphone in the front, and one in the back, please.

MR. ROMBERG: Alan RombergStimson. Good to see you, Mr. Ambassador. A lot of positive words about the importance of cooperation, having a spirit of moving ahead together, and I agree with all of them, but I think we need to face the fact, at least, as I see it, that the mood that Jonathan was talking

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about, it is importantly tied, not just to the big issues such as cyber or trade or human rights, but specifically to the South China Sea.

I think that if it were not for concerns about China's behavior, and potential ambitions which are not all that clear, that you will have a different sort of tone to lot of the commentary in the United States about that. So, I would hope that in the Summit Meeting that China is asking about, that there would be a pretty direct, frank open discussion with people both talking and listening about that subject, to see what can be done to manage that issue better.

Without that, I think that the likelihood is that we see a spillover in a lot of ways. We see the mood in the Congress, which I think it's affected by it, we are going to see more discussion of Taiwan which has its own special issues with regard to the election, but I think that some people's attitude toward U.S. policy is affected by concerns about China's behavior. So I would highlight that. I don't think we can just let that sort of be a generalized

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point.

MR. LI: Thank you. We'll probably pick up a couple more and, yes, the gentleman. Yes.

MR. CONDON: Thank you. George Condon with National Journal. I wanted to return to the comment the Ambassador made before, and I address this also to Jonathan, you said the view in China is that the President tries to lecture and maybe humiliate the Chinese. The view in the United States is the President doesn't stand up to China, and the construction of islands for military uses and cyber attacks, the two countries can't even agree on what the tone of the 70th Anniversary of the end of World War II should be. Why should we not think this summit is going to be a disaster?

MR. LI: Okay. A very pointed question. And you wanted Ambassador to answer, or Jonathan, or both?

MR. CONDON: Anybody.

MR. LI: Okay. Now, we take another one. I hope the Chinese journalist in the room. Yes.

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QUESTIONER: Hi. I'm Sally Zhang, from CCTV America. Well, this year marks the conclusion of the Second World War, so during President Xi's visit will the two Presidents talk about the international order? Thank you.

MR. LI: Thank you. Particularly the, very interesting question about the two sides, when the U.S., you know, we have domestic politics, we certainly think that the President should stand up early on. Richard Bush also mentioned earlier, should to discuss all these issues. But at the same time, doing so, that how we reconcile the other concern, we should probably undermine American interest in a certain, but how to reconcile this tension. And, David, you wanted to add one thing.

MR. DALY: Robert.

MR. LI: Robert Daly?

MR. DALY: Thank you. Robert Daly with the Wilson Center. I have a question about rhetoric more than policy. I know that our Chinese friends over the past two years have heard repeated American concerns

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about the use of this phrase, New Type of Model of Major Power Relations. And that China has taken note of American leaders, studiously avoiding this phrase.

And yet I'm struck that China still seems wed to this phrase as a hallmark of success in the relationship, but I worry that use of this could actually undermine General Secretary Xi's trip to the United States. Do you see any possibility of, without changing China's goals, or its analysis, if U.S.-China relations that this phrase as a phrase as a 提法), might be put down and put aside.

MR. LI: Okay. Now, more interesting questions; so, who wants to start?

MR. Teng: Okay. My boss is giving me assignment to try and see -- add this question about, South China Sea. You know, I used to work as staff in the South China Sea with headquarters during my 20s. And I participate in the preparation for the construction of the preservation station in Nansha Islands, in 1987. And in 1988, we had a crash with

the Vietnamese Navy in Zhigua Reef.

And just to watch that crash is only 30 or 40 minutes crash between the two Navies. Actually, the construction in Nansha Island is an assignment from the Niseko Maritime Committee in 1987. At that time there was a resolution adopted by the Maritime Committee to construct a reservation station in -- not only in South China Sea, but also in other countries.

We altogether have 300, and according to that resolution China got four observation stations; construction 1, in Nansha Island, and number 74, and we finished the construction at the end of 1988, and till now, the observation station had already submit about 2 million pieces of information to WMO. So this is actually -- the origin of the construction in South China Sea is from the U.N. relevant organizations.

And I think, why this time enlarge the buildings in -- the facilities in Nansha, actually I think the main target is to improve our living conditions, the condition there is very humid, very hot, and no water so you have to improve your living

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conditions for our scientists and soldiers. This is a region for the construction, and also we talked a lot about UN clause, and my colleague Wa HanLing is an expert about international order in this regard.

I think the UN clause is not only -- is not only the law, defining the issues in South China Sea, we still have another -- you know, legal documents. For example, Cairo Declaration, proclamation and also the surrounding documents signed by the Japanese Government just to give the clear-cut announcement, that Japan should return these island reefs, shores to China.

And the KMTGovernment at that time also sent taskforce, at least six battleships to recover these islands. So this is history, we should -- there's another side of the law, of the international law to give the sovereignty to China -- to return to China. Not only -- the UN clause is not only the international law, so why China, you know, continue the construction there is actually a legitimate action by the United Nations, and also by the historical

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documents.

MR. LI: Jonathan.

MR. POLLACK: There are several questions I wanted to raise -- George Condon has raised the interesting possibility of why shouldn't this trip be a disaster, and that -- those are strong words, disaster is a big word. President Xi will be in the United States, I think for approximately, what, about five days. A lot of his time will be -- tellingly will not be in Washington, D.C., very little of his time will be in Washington.

SPEAKER: Twenty-four hours.

MR. POLLACK: Twenty-four hours, so the question is whether in that context as we say, to use an American word, the optics of the visit will be presented in a way that people will feel either (a) that it was not a disaster, or that there might actually be something constructively done in the process. And that's frankly what staffs do, they try to -- they can't control for everything, but they can try to control for most. You know, frankly I don't

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think that either government has any incentive to see -- come out of this meeting with a sense that that it has gone very, very badly.

Now, you can't control for media content, and no matter how bright the clouds and the sun might look, I can assure you some of the media will find some dark clouds, and certainly some rains, since this will be in Washington, maybe there will be some rain for the occasion. But I think, you know, a lot of trips are remembered in different ways precisely because of how things appear in that context.

The fact that there is all this sniping that goes on in both countries, media processes, if I were advising President Obama, I would let that slide off his back, he's got more important things to worry about than that.

The issue I wanted to address is what Robert Daly raised, which is a great issue, the question is the utility of a concept, and in this case, President Xi is very, very strongly identified with this idea, although it's been expressed to some extent by other

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Chinese leaders. It speaks though, I think, to a larger question, because I don't expect President Xi to set it to one side, that seems, shall we say, uncharacteristic of what we can observe about him or any Chinese leader.

But it does raise, Robert, the question of ownership of a concept. Ownership of views; in fact, the CCTV America correspondent asked the question, will they talk about the future of the international order? I hope so, although they don't have a lot of time to talk. But I'm wondering whether the only way we will arrive at some kind of mutually acceptable definition of terminology, is if neither country, and neither leadership can take ownership of the concept.

So maybe we need to have a different kind of competition and let either scholars, or maybe even another government, come up with an idea. Something that addresses these issues but doesn't -- isn't associated with the Chinese or an American brand. That's at least my own thinking. I know the odds on that are not high.

MR. LI: Thank you.

MR. SU GE: I'll start with an answer to the excellent question posed by CCTV America. I think that when President Xi Jinping comes to the United States and the United Nations Headquarters in New York City, this is a unique and very important occasion for both the summit and his United Nations visit. Because the United States and China, they are two, we fought together in the war against fascism 70 years ago.

In fact, China and the United States, we were comrades in arms and both participated in a war, and after the war there had been a number of important international lead documentations, guiding for the Postwar world order which still have important effects. Today's world, the international order, I think it works both in the United States and China; we have a duty safeguarding a continuation of the international order which would pave a way for future lasting peace and development.

And another thing I would like say, now there was a question on what term could be used to

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summarize our -- to sum up or to characterize the very important relationship between the two great nations, the United States and China. I would think that what -- what kind of words you can find out, or you can agree upon to describe a relationship that can be discussed.

However whatever terminology that could be agreed upon, and cannot alter the fact that no matter which way the relationship goes, it's got to be an important strategic relationship. Because the relationship between the United States and China, for better or for worse, it's not only confined with the two peoples, two countries, but it's got to have an impact on Asia Pacific region, and even in the world.

So, I hope that, no matter what, we have -- the relationship has to be a new type of relationship between these leading nations, number one, and number two, economies. And as for TPP, I tend to quote a notion initiated by American scholars and some Chinese scholars, and that is, if you talk to somebody as your enemy, he's going to be your enemy.

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So, TPP, although you look at some of the scholarly works, comments, you find that some people have more worries about it, but I tend to have a more optimistic view. I tend not to regard this as a menace, I thought that it, down the road, maybe you can find something which we can agree upon, and we can find a way in which the United States and China can have cooperation so far as the TPP -- further arrangements of the TPP is a concerned there.

BIT, very briefly, I hope that while -- after the first exchange of negative list, the United States felt that the Chinese list is a little too long. However, down the road, as we exchange to the first -- after the first exchange of notes, that's good basis, and we can move on from that and continue with our discussions.

During the time I think the both sides have concerns. We hope that each side's concerns will be heard by the other. We have heard of your concern; however, the Chinese also felt that, we want to buy more products, we want to enhance the America volume

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of trade, so the things that you can sell to China, but there are a number of the things we want to buy, you just don't want to sell to us.

And a number of Chinese companies want to increase their investment in China, and however, and the doors do not seem to be that open. So we hope that you'll convey our concerns to the American Congress, you (inaudible) try this, so that you'll open the doors a little wider for this.

Finally, why this summit would not be a disaster? I would say that, as the China saying goes, the administration, they are the boats, they are the ships, they are boats, the people are the water, the water supports the boat. I think that success of a summit, if basically cooperative relationship between the United States and China, in the days to come fits the general interest of our -- both countries, and of both of our peoples.

That's why I think that the administration make a decision to guide the relationship along the right path, and that fits the people's interest, and

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that for the American administration they will win more votes from the general voters. Thank you.

MR. LI: Thank you. David?

MR. DOLLAR: Just briefly on this question of whether the visit might be a disaster, just focusing on the economic side, there will be quite a few big deals signed alongside, maybe not necessarily part of the formal program, but normally when you've this kind of Presidential visit, there will be some big trade deals signed, there will be some big investment deal signed.

My own sense is if we are not making progress on real economic integration, and we are not changing the foundation through something like the BIT, then I think American people are going to react badly to having a lot of big deals. Frankly, it's going to look a little bit like China is, you know, trying to buy friendship by buying airplanes, for example, or buying companies. If we don't really change the foundation, then we are not going to get a more balanced economic relationship, and that's what

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the administration and the American people are looking for.

MR. LI: Well, well said. I also want to respond to your question about the possible disaster. I think that when you look back the U.S.-China relations, especially President Obama's first trip, you know, in the first year of his administration to China, which was perceived by America media as a disaster, as a failure. To a certain extent that has to do with his speech in Shanghai Science Building, which he felt that he did not have a forum to communicate with Chinese people.

So therefore, back at home, people think that he was too soft; he did not state American principles, that really play a very important role in his mindset, if I interpret -- you know, try to interpret. So, certainly that echo what my colleague David, and also Ambassador said that the relationship is so important, neither President wants to be -- to see as a failure; and we need to see the real progress.

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The progress in addition to what David said is on the economic front which is important, but equally important we shall see real change, change in American perception of China, Americans' good intention with China's development to the sound -- to China's own political development, with a rule of law, human rights and civil society, and et cetera.

And I think this provides a great opportunity for both leaders, but I think the stake is so high, I think -- I absolutely agree with the Ambassador. American people base my observation, same things with Chinese people; they want the relationship to be the right -- to be moving forward to make some progress. Now, of course, some people maybe want to see a disaster of course, and I hope that it's a very, very small number of people.

I hope these people won't be disappointed because, otherwise, will foresee so many problems; cyber security, economic integration, nuclear non-proliferation, and so many other issues.

So, with that, I hope that the audience will

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join me -- I'm sorry that we cannot take so many question, you know, they can stay for a few minutes, to answer questions directly. But I want you to join me to thank our distinguished Panelists, for that very, you know, a kind of uplifting, but a very analytical discussion about that very, very important relationship at a very critical moment. Thank you very much. (Applause)

* * * * *

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