

THE BROOKINGS INSTITUTION
THE END OF U.S. ENGAGEMENT WITH CHINA?

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P R O C E E D I N G S

MR. JONES: Good morning. Thank you all for joining us. My name is Bruce Jones, I'm the vice president and director of the Foreign Policy program here at Brookings.

And thank you for joining us today, for what I'm sure will be an illuminating discussion of one of America's greatest foreign policy challenges.

We titled our event provocatively, asking if we are witnessing the end of U.S. engagement with China, but our goal is to move beyond a binary assessment and have a nuanced discussion tackling some of the fundamental questions about the future of this bilateral relationship.

We begin with a keynote address by the Honorable Representative Rick Larsen, and then we'll convene two panels of experts. The first will define the challenges posed by China's actions and behavior inside the United States. And the second will discuss how to respond to those challenges by examining engagement policy that has guided relations with China through eight consecutive administrations. And after each panel we'll have time for audience questions and discussion.

I think it's fair to say that in recent years frustration has mounted in the United States as the notion of China's "peaceful rise" has increasingly morphed to a more bold and assertive China, certainly inside Asia and increasingly globally.

Alongside fairly benign projects like the Asian Infrastructure Investment Bank and the Belt and Road Initiative, China has worked tenaciously to reclaim islands in the South China Sea, asserted itself in East China Sea, and is increasingly stirring controversy through its use of what has been termed "sharp power" to influence public discourse in Australia, New Zealand, the United States and elsewhere.

And just last week China announced plans to amend its constitution, remove presidential term limits, a move that inflamed the sense that U.S. engagement with China has not produced the kinds of change in direction that some had hoped.

Partly against this backdrop, the Trump administration's first National Security

Strategy, released in December, labeled China a "strategic competitor" and questioned the value of engagement policy.

More recently, FBI Director, Christopher Wray used congressional testimony to characterize China as not just a whole of government threat, but a whole society threat, requiring a whole of society response by the United States.

So, this is a fairly dramatic escalation in the depiction of the relationship. It seems to me that the existing challenge of China needs to be taken seriously, and we have to start with a robust, and a clear-eyed assessment of its behavior, and of our behavior, but the issues, as a whole, call for thoughtful and a balanced assessment that articulates the boundary between genuine concern on the one hand, and paranoia on the other, and proposes productive responses.

We are honored today to have Congressman Rick Larsen to deliver today's Keynote Address, he's representative of Washington's Second District since 2001, among his many roles and most relevant to today's discussion he is also co-chairman of the congressional U.S.-China Working Group. He's a friend to Brookings, and he's collaborated with us over many years.

In 2005 he was a stand-in for Henry Kissinger at a Brookings event prior to the Obama-Xi summit. And he asked us this time if he was a stand-in for Henry. And we said, no, no, you are our first choice. (Laughter)

So, please, join me in welcoming Congressman Larsen to the stage. And then we'll follow on with a discussion. (Applause)

CONGRESSMAN LARSEN: Thanks Bruce. And thanks for the opportunity to be here at Brookings; and good morning, everyone. It's an honor to be here. I want to thank Brookings for the invitation to be a Keynote today. I appreciate that opportunity.

But I did note to Bruce as I walked in I said, I think you got your title wrong, which the title is: "Is this the End of U.S. Engagement with China?" I think a more appropriate title would be: "Is This the End of U.S. Engagement with China, the EU, Canada, Mexico," (laughter) and so on.

Well, the short answer to that I think is, no, obviously, but just focusing on the title of this morning, I can understand the anxiety that folks have.

For instance, last year China, again, have made commitments to improve market

access and reduce restrictions on foreign investments, the latest in several commitments over the last years, and yet there seems to be little to no movement on those commitments.

China continues its efforts to be a development and growth model, challenging existing international rules, and an international order that existed for 70 years, and one from which it benefited, and one that the U.S. has largely led, and now again seems to be challenging that order.

And China, as Bruce mentioned, tends to continue the efforts to create and militarize artificial islands in the South China Sea, and its unwillingness to comply with international norms there, can seem to indicate the China is not interested in finding mutual, beneficial solutions either.

So, the question of today's forum should not be a surprise to anyone. And, as well, what good is continuing to engage on these issues if the U.S. gets so little in return, seems a fair question, and honestly a question on Capitol Hill is asked quite often. And some of my colleagues in Congress have called for more hawkish approach and attitude towards China to prepare for the inevitable conflict with China, in their words.

But other writers have taken a more nuanced approach. In a most recent issue of Foreign Affairs, Ely Ratner and Kurt Campbell note that throughout history the U.S. has regularly set too high a bar in its expectations of shaping China's trajectory.

They said, and this is a quote, "Reality warrants clear-eyed thinking of the U.S. approach to China. Building a stronger and more sustainable approach to and relationship with Beijing requires honesty, but how many fundamental assumptions have turned out wrong."

So, again, I ask, does a U.S. response to these actions that China is taking need to be more hawkish, as some of my colleagues want, or more realistic, as we might hear today? I certainly fall on the more realistic side of things.

But, I want to address maybe how we can go about doing that, and use an American football analogy. For those who follow American football, you'll get it. For those who don't, ask your neighbor. (Laughter)

You know, so in other words, to look at this analogy, does the U.S. need to act like a defensive coordinator? Or, do we need to think like a head coach and develop new offensive and

defensive strategies, a new playbook, or even dust off the old playbook, that are better tailored to the outcome that we want to see?

I certainly, again, fall on the latter side. We are playing a lot of defense right now in our approach, instead of thinking about what offensive tools that we already have, and what tools we can develop to play offense; and not necessarily offense against China, but just offense for its own sake to put the U.S. -- to keep the U.S. out in the world. And I want to cover some of what that means.

It's time to, again, strengthen these tools. So, instead of looking at the Belt and Road Initiative, as some people do, as something to be afraid of, the U.S. can use tools like the Overseas Private Investment Corporation, the Export-Import Bank, the U.S. Trade and Development Agency, to better offer more options to emerging markets and emerging democracies, in development finance and democratic governance, than just the options they might be getting through BRI.

We have to have a strategic, offensive plan that take into account issues like education, business, foreign trade and investment, our military capabilities as well, and a bilateral relationship with China.

I just want to say that these ideas aren't necessarily mine, or new, there are a lot of good folks here, and a lot of good folks at one of your competitors, at CSIS, and good folks at other places who have said some of the same things. But, I don't know that on Capitol Hill or, frankly, in the White House that they are really doing a good job of looking at this relationship holistically. That we are really slicing it up into parts and concluding that it's not going well.

So what are those parts? Well, I think first, the U.S., we should go more on offense when it comes to education. Foreign language skills have to be a critical part of our U.S. schools, and the U.S. foreign language lags and limits our ability to compete globally. So there is an estimated 300 million English language learners in China, and only 1.6 million Americans identify themselves as Chinese-language speakers in the last census.

Compare that total to the number of students in kindergarten, through high school in the U.S. who study Spanish, which is necessary as well, that's seven million; another 1.2 million

students study French. The number of students studying Chinese in that age range is a little over 227,000.

In 2015 President Obama and President Xi Jinping committed to expand the number of U.S. K-12 students studying Mandarin to one million by 2020 and we have to continue to build on that commitment.

Congress should increase funding for programs such as Foreign Language and Area Studies Fellowships, and the Boren Scholarships that assist college students studying foreign languages and international studies.

Beyond investments in foreign language, the U.S. must be better equipped to compete with China, and with other countries, in emerging scientific fields, like artificial intelligence, robotics, quantum computing and nanotechnology. This is the speech that I give to my mechanical engineering son almost every day.

But, to do this the U.S. has to educate and train a workforce with skills necessary to succeed in an ever-changing global economy. So, you know, our foreign policy success is going to depend a little bit on domestic policy successes.

Our education system needs to encourage more students to pursue an interest in science, technology, in engineering and math. By 2022 in the U.S. there will be about nine million STEM-related jobs in the United States, yet, we can't attract enough students for those positions.

Only 40 percent of the U.S. students who enter college intending to major in a STEM field actually graduate with a degree in STEM; so we don't need 100 percent of students -- of all students, studying STEM, but we would like to have close to 100 percent of the students who start studying STEM to finish studying in STEM.

We need to continue to push legislation that creates access to apprenticeships that my generation benefited from, and advocate for the funding of career and technical education to help states close the skills gap and prepare students for the transition from high school to community college, to an apprenticeship or job training.

I know most of you thought you came here to hear a foreign policy speech, but we've got to do both.

An area where we have been offense, but perhaps need a little bit different of a playbook, is in ensuring our businesses can compete on a level playing field globally. Now, some in Congress want to do this by reforming the Committee on Foreign Investment in the United States process and include more aggressive export controls.

Rather than stifling the business climate by establishing a stricter CFIUS process, the U.S. should pair measured reform with policy changes that incentivize China to open its economy.

We need a more comprehensive analysis of the net impact of foreign direct investment in the United States so we actually know what we are dealing with if we start tinkering around with CFIUS. And we should have this report before moving forward with any changes.

Businesses are getting increasingly frustrated with Chinese business policy. The American Chamber of Commerce 2017 Annual Report concluded that while businesses are generally upbeat on relations, 75 percent of members feel foreign companies are less welcome in China than they have been in the past.

We can do many things to address these concerns, but I think one thing, and again, this is dusting off the playbook, the Office of the U.S. Trade Rep must continue and reinvigorate negotiations on a Bilateral Investment Treaty with China.

Now as the Co-Chair of the New Dems, it's a Caucus within Congress, the New Dems Trade Task Force, I would be remiss if I did not say that our new offensive playbook must include foreign investments and trade.

China's Belt and Road Initiative has spooked some analysts and some of my colleagues in Congress, as I mentioned, as a threat to U.S. status in Asia. But, rather than responding with alarmism, the U.S. should reinvest in existing programs that promote trade, investment and economic diplomacy.

Again, we can go on offense, we don't need to cower in fear before the Belt and Road Initiative, which is basically just, you know, it's a lot of construction. It's probably more than that, I understand.

But trade is an important soft-power tool for the U.S. to use, and we need to

continue to develop strong agreements with our partners in the Asia-Pacific. And I would even include getting back into TPP. This shouldn't be news to anyone here who knows me.

But, additionally, the U.S. can and should play a leadership role in organizations that create opportunities for U.S. businesses in Asia, and for businesses in countries, in Asia, such as the World Bank, such as Asian Development Bank.

We also should continue prioritizing within the State Department APEC, as well as the Department's Bureau of East Asian and Pacific Affairs. And so while a focus on Asia is important, again, we can't fail to recognize the importance of investment in other areas of the world, including Africa.

This week, Secretary Tillerson delivered a speech talking about the importance of the African Growth and Opportunity Act. That's true, but we must do more.

The U.S. does not need to compete dollar-for-dollar with the Chinese investments in Africa, but we can maintain a continued presence in the countries of Africa. An increase in funds for Department of Commerce programs like Power Africa, and Trade Africa, which help U.S. businesses operate in Africa and bring investment to countries in Sub-Saharan Africa, demonstrates the U.S. commitment to the region at a time where China itself is funding more projects.

I just want to move to the last couple of issues. First on security, and similar to an education strategy where we invest, the Department of Defense should expand research and partnerships into disruptive technologies that could upset a balance of power. This includes investments in critical technologies like artificial intelligence, quantum computing, nanotechnology and supercomputing. And the budget should reflect that.

The budget should reflect strengthening diplomatic relationships and military cooperation with our allies in the Asia-Pacific region. These alliances and partnerships are an area of strategic advantage over China, who does not necessarily want to have partnerships and alliances.

But when we maintain those and invest in those partnerships and alliances it helps strengthen our friendships and can alleviate -- should alleviate some of the concerns that my colleagues have. And I think the President should focus on strengthening ties with America's

friends, rather than antagonizing our American friends.

And, the military should continue -- our military should continue to pursue opportunities to engage with the PLA, through multilateral exercises and policies to help avoid miscommunication during encounters. I'll just end on a note on the bilateral relationship as well.

Because for all of this said, I can tell you, on Capitol Hill we tend to think of competing with China all the time, when in fact there is a lot of room for cooperation, still. On climate change, there is still of room for cooperation, and I think that we need to think long term about that, and not really stay focused just on the current President's policies and proposals with regard to climate change, but think long-term.

On counterterrorism, there is room for cooperation. And certainly on North Korea there is continued room for cooperation. We need to continue to pursue these areas of cooperation with China and have the strongest bilateral relationship that we can have.

So the relationship is very complex. In fact, I've said, we don't have one relationship with China, we have many relationships with China depending on the issue. Some are high, some are low. I tend to think it's a little like the stock market, it goes up and down, it's a roller coaster, but you know, it tends to inch up over time. And it can only grow as well through continued engagement, through continued dedication and maybe a shot or two of Baijiu.

But I tell you, it makes it difficult when -- for me, to help in my way to manage the relationship, when you have announcements from the White House that, frankly, aren't well thought through.

And this latest announcement on steel and aluminum, which started out as something targeted at China, apparently applies to all countries who produce steel and aluminum, which includes many of our friends and allies, and people who are concerned about a trade war with China, and didn't see a trade war with the EU coming. So we've got some, again, just some continued things that we need to manage here in the U.S. and take care of.

But in the end, I just want to say the main message I have is that, we don't need to necessarily be on offense we have -- on defense, we have an offensive playbook. We maybe need some new plays, but we have plays that have worked in the past, and we should use them. Not just

in a way to compete with China, but in some ways to further cooperate with China, but also to ensure the U.S. is even on the playing field with China and with many other countries.

So, with that, I'm going to end because I'm about to have a coughing fit.

So, I appreciate the chance to be here, and I hope that's a good opening for you all.

And I look forward to some questions from Cheng Li. Thank you. (Applause)

MR. LI: Well, first I would like to join Bruce in expressing our profound appreciation to you, and to all of the distinguished panelists for participating in today's event. Today's discussion is enormously important and timely because China is at a critical moment in its political trajectory, and the U.S.-China relations are also at the crossroad.

Congressman Larsen, many thanks for your very thoughtful and constructive remarks. You know, you talked about Baijiu, I think probably better, is Maotai.

And I was particularly struck by the way you emphasize our domestic challenges, how to improve our own country, and also make us more competitive in a positive way in the international competition. This certainly differs profoundly from some of the discussion we heard.

I'm sure that your points have inspired many questions from the audience, but let me begin with two, the first two questions. First, as you probably agree, although we did not mention, there are growing concern about China and the United States.

This could be the result of what we perceive as China's assertive rise or sharp power inference, but this could also stem from China's domestic political situation including the Party's very tight media censorship, new measures to restrain NGOs in civil society, both Chinese and foreign, harsh treatment of human rights lawyers and human rights activists, and most recently the abolishment of the term limits for the PRC presidency.

Now, my first question is twofold: to what extent can these negative views in the United States be attributed to China's domestic a move towards repression, as opposed to worries about China's foreign policy, or formerly, China's economic policy towards United States?

And then two, are these domestic trends in China irreversible? And can China's increasingly pluralistic society, and ever-growing middle class can be, potentially, forces in moving to the opposite direction?

CONGRESSMAN LARSEN: Sure. So, the first question that you asked about, whether it's that negative views are based on Chinese foreign policy and its moves, or is it based on what's happening domestically in China.

I think, again, from my perspective on Capitol Hill, I'd say it's a combination of both. I'm on the Armed Services Committee, obviously watching the world closely, and the U.S. role in the world, especially from a national security perspective.

And there's the lack of action from China in complying or following international rules of order, especially when you look at the South China Sea, and the use of international institutions to make a determination about who owns what there, and then having trying to ignore it causes a lot of concern for folks on Capitol Hill because, you know, what would be next? What set of rules will be next to be ignored?

And so from a foreign policy perspective, there's a good argument to say that that causes concern and that contributes to negative views.

On the domestic side, I think what's happening in China, sort of isn't a -- and I understand the Chinese leadership may not care what my opinion is on this one, but I get to express it freely, and walk out of here without being arrested, and that's my point.

It's an affront to, I think some -- I hope most Americans' perception of what democracy is, and what human rights is, and what representation is, when you see what is happening in China with -- and you listed it. You know, media censorship, lawyers being arrested, folks disappearing and, you know, if whether President Xi wants another term, or two terms, or forever, I need to let some folks get me some back -- I don't know if he's going to want that, but I've asked some folks to like: help me understand what that is going to mean for our U.S. policy.

But, again, it contributes to those negative views. So, it's a combination of both, it's not one or the other. But also I think, in conclusion, we need to consider from a policy perspective what we are going to spend our time on in order to try to shape, if you will, shape a response.

We can do that more easily in the foreign policy realm, it's obviously a little tougher to shape Chinese domestic politics, but if we lack strong statements on democracy and human rights as part of our foreign policy, then we are doing our own selves a disservice, and we haven't seen -- I

haven't seen this administration place democracy and human rights back to where it should be alongside many of the goals of our foreign policy.

MR. LI: Fifty/fifty, which is more important?

CONGRESSMAN LARSEN: Is this about math?

MR. LI: Okay, never mind.

CONGRESSMAN LARSEN: I didn't know there'd be math on the test. (Laughter)

MR. LI: The other question: in the recent U.S. National Security Report, I think the President State of Union Address in the DoD's reports have a similar point, they listed three groups as the American strategic rivalries, or even enemies, starting with the terrorist organization, then the rogue states like North Korea and Iran, and revisionist countries such as China and the United States --

CONGRESSMAN LARSEN: And Russia.

MR. LI: Oh. I'm sorry, Russia. (Laughter) I was talking about the end of engagement, probably engage ourselves. Well, is that strategically wise for the United States to have so many enemies at the same time? Should a more thoughtful distinction be made, for example, between Russia and the China?

Now, before having your answer let me add my own comment. Competition aside, the Chinese economy is far more interdependent with the United States and Russia is. Also, currently about the 400,000 Chinese students attended American schools including 35,000 at the secondary schools.

Now, in comparison, Russia, a couple years ago, is about 6,000. So, of course, in my view most of these Chinese students are not spies I can assume, but young men and women make friends with their American peers, they are impressed by the American way of life, including media freedom, as you mentioned. So, my point is that whether that the United States should -- I think that's an important factor, and so your comment?

CONGRESSMAN LARSEN: There's a lot to chew on there. Just on the first point with regard to National Security Strategy, it is good to have one, it's better to use it, and sometimes we develop a national security strategy that, as the administration does, and we don't really follow it,

mainly because of circumstances to take over, as opposed to trying to follow what you wrote on paper, because sometimes it all falls apart a week later. That's the first thing.

The second thing, regarding the five adversaries, the five national security challenges we have, I don't think the security strategy lists them as enemies, but certainly, I would say terrorists are, right, but the idea that we have five is fine. You know, just on that point terrorism is a problem, North Korea is a problem, there are issues with Iran, and there are issues with Russia and China.

My main criticism with regards to Russia and China, is that we tend to, on Capitol Hill folks tend to lump them together like this is in some unholy bilateral alliance. And I don't see that being the case. So, being more discerning about the foreign policy and national security challenges with China is important, first.

And I think that it's one thing I would like to try to impress upon my colleagues on Capitol Hill, because lumping China and Russia together will end up with -- we'll end up with worse outcomes.

Like, Russia has, for instance, I think the Russian leadership is has a much more tactical approach to the world, and as opposed to some broad, grand strategic vision of the world. China on the other hand, I think does have a much broader strategic vision of the world, and its place in the world, and that requires us to understand what that is, have an appropriate response, which, again as I laid out, it might include competition and it might include cooperation.

But the main response you get on Capitol Hill is, I call it "the all about me Department" that's an all about me, everything that happens, happens because it's happening to me, all right. And that's how the U.S. sort of sees the world. If a country is doing something, they are only doing it because they want to -- because it's about the United States, they are doing because of the United States.

And sometimes that's true, most of the time it's not. And we look at China, anything China does, oh, they're doing that because they are doing it relative the United States.

Well, whether they are they aren't, we ought to be putting forward, continually, what our vision of world is, what our vision of our -- how we want our friends to see us, and be much more

active as opposed to being responsive to whatever China does in the next given day.

And this is for instance, the Chinese leadership, through President Xi has been very clear about claiming one, that they are the model of free markets, and such, and that couldn't be farther from the truth, frankly.

And second, they are a new growth model for emerging markets in the developing world, and I think that, in part, they do want to be that, a new growth model. Well, you know, I think the old growth model is pretty good, and that's the one the United States used to talk about, about open markets, about engagement, about trade.

And we are not doing that in this administration, under this administration. We are not reminding folks, taking every opportunity we can to remind folks about the growth model for the last 70 years that created the wealth in the world, that created the opportunity in the world that many countries benefited from, including China.

And I think, you know, again, we don't need to sometimes create new plays in our playbook, but we have a pretty good playbook already, and we need to enhance what we are doing.

MR. LI: Okay. So, we have about 10 minutes or less, really. So, please state your name and affiliation, and also just raise a question, not to give comments. Okay, Nick Lardy?

MR. LARDY: I'm Nick Lardy, Peterson. Congressman, you've been Co-Chair of the U.S.-China Working Group for many years, and you're interested in educating your colleagues about China. I wonder if you might give us your assessment of where we are. Are we in upward trajectory where your colleagues have a better and better understanding? Or, are we on a plateau? And I wonder if you might comment, specifically, on the question of how many of your colleagues travel to China, and get a first-hand understanding of the situation there.

CONGRESSMAN LARSEN: Yes, sure. Thanks Nick. Good to see you. So, are we on upward, or plateau, or downward. Frankly, right now I think we are in a little bit of a downward swing on Capitol Hill, with regards to China. And probably the best example of that is a growing call for reforming the Committee on Foreign Investment in the United States which is -- and those reforms are specifically targeted at Chinese investment in the United States.

Now, if you are a governor of a state you are probably going to be very, very

frustrated with an outcome, a possible outcome of changes with the CFIUS, because that Chinese investment, in fact, any foreign investment are just job creation for the government. Meanwhile, Congress is considering monkeying around with the CFIUS process, and putting a lot of that power now into the hands of the Department of Defense.

Now, there are some there are some concerns, legitimate concerns about technology, and technology transfer, and so on, but I think we are taking a heavy-handed approach to it, there's probably a more nuanced approach we can take. But I think that is the example of how we back up the statement, of on kind of in a downward.

How many Members of Congress go to China in a year, I don't know the number, but I'll just say last year when I went with the National Committee on U.S.-China relations, we had six members go, four of them it was a first trip, and one of them it was a second trip, and it was my tenth.

So, you know, folks can go more I think, and they ought to, and then when we do go we need to not do China's Greatest Hits. You know, when you turn on the radio the same song comes up over and over again. Members Congress always, they go to Beijing, they go and meet the government, and they go to Shanghai to see all the empty buildings.

You know, and we went to Chipu last year, we went to Zhejiang, and Jinan, as well as Beijing. So, I think getting out of big city is getting -- you know, playing those deep tracks on the album in China gives you a better understanding of the breadth of the country, the size of the country, and also you tend to see -- you can see some of the poverty if you get out in the rural areas too, and understand that there's a long way to go for some folks in China.

MR. LI: Yes. Maybe we'll take a few more questions, if you don't mind?

CONGRESSMAN LARSEN: Sure.

QUESTIONER: I don't want to just ask my question. But I just want to push a little further, I mean, is there a sort of political correctness on Capitol Hill to talk about China? I mean, you cannot say anything good about China it seems to be, you know. And otherwise you'll be associated with a sort of pro the communist government, or whatever. Is that a correct sentiment? Thank you.

CONGRESSMAN LARSEN: Yes. Thanks for the question. I don't think it's the correct assessments. I don't think it's political -- I don't think it's a political correctness that, you know, it's hip to hate China, that kind of thing. I don't see that, I think -- unfortunately, I think some Members of Congress really don't like China, and they are more than happy to express it.

Now, my view is, you don't feel like China -- the Chinese Government, or China as a country, or whatever, or you don't have to like it, or hate it. But in foreign policy, and national security, China is a player, the U.S. is a player, and we need to be realistic about that relationship, and how we handle it, but I'd also think that that some critics on Capitol Hill, some of my colleagues they may sandpaper the rough edges off their view if they put a little more time into it, and to thinking about the relationship, but they may not change their views.

But I don't think it's a -- I always tell folks don't underestimate the strength or conviction of Members of Congress' views. You know, I tell people at home like, some people actually say what they think, what they actually believe. It may be wrong, but they are not fooling themselves, that they actually believe that. So, I don't think -- it's not political correctness, it's some folks see China as a potential enemy in a near-term.

MR. LI: I'm going to take a few more cuts together then, because we only have a few minutes. Yes, the young lady, yes, the first one.

CONGRESSMAN LARSEN: In the purple?

MR. LI: Yes, in the purple, yes.

MS. ZAKRESKI: Thank you. Judy Zakreski, with China Trade Strategies. Looking from the political perspective, from where you are sitting, I think a lot of your comments resonate with people in this room, I don't think that you're going to get a lot of disagreement. Your comments are not in line with what we are seeing out of the administration, what we are seeing out of the leadership in Congress.

I'm curious, from a political perspective, how far down this road are we going to go? How long is it going to take us to come back to where you believe, where many of us believe we should be, and what are the touch points we should be looking for? I mean midterm elections, maybe the next presidential election, and how hard is it going to be to kind of bring us back to what

many of us think is the right path?

MR. LI: Good question. Hold on. Yes, go to that gentleman, yes.

QUESTIONER: Thanks. I'm Bernard Gunn, the University of New Hampshire. I want to go back to where you started, and with the education issue. I want to turn specifically to your view on the Confucius Institute. You know there's a lot of controversy about it. But the University (inaudible) Studies, Chicago, doesn't do it -- GW doesn't do --

CONGRESSMAN LARSEN: Keep your microphone right, near your mouth.

QUESTIONER: Yes. I'm sorry. I'm sorry. At the University of New Hampshire, there's a Confucius Institute, there's a lot of controversy about it. Obviously there's a question of funding. What is your overall view on the Confucius Institutes? Should we be suspicious? Should we promote them? Should we accept them? Should we, again, be suspicious, that's basically my question?

CONGRESSMAN LARSEN: Yes. Thanks. So, to Judy? Judy, to answer your question, I think that what I've tried to lay out today is really more about what we ought to be thinking long-term, and so I think, politically, you know, you're looking at the 2020 Election where some of this debate will take place nationally. And the difficulty will be not boiling it down to the jobs were lost argument, that we saw in 2016.

I think it'll be easier to have that debate because the jobs the President claim will come back, won't be back, and hopefully we'll see his comments as being wrong-headed, in my view, maybe some people will have different opinions on that.

So, I think it's going to be 20/20, the other thing, I've tried, again, to lay out a little bit is that we need to think a little more broadly, we need to open the aperture a little bit in talking and thinking about China. So, again, I don't think you're going to see a lot of this play out this fall politically, but more when we have more of a national debate in 2020.

And then, on the Confucius Institutes, again, there's offense and defense. I think that there's increasing evidence that Confucius Institutes aren't what they are cracked up to be.

QUESTIONER: Decreasing or increasing?

CONGRESSMAN LARSEN: Increasing; that they aren't just merely cultural

touchstones that that they are trying to influence decisions, that they aren't as open-minded as what you ought to find in U.S. academia. And so universities are going to have to make a decision about, if they want to keep them.

You know, from my perspective I would say that if you can't -- if you can't have academic freedom on a campus and you're sponsoring an institution that doesn't allow you to have academic freedom on campus, then you need to get that institution off campus.

But the flip side is: what are we doing? So, okay, all right, we are going to kick off Confucius Institutes off of the campuses all over the country, what have we done to further the understanding of China, Chinese culture or Chinese language? And we ought to be investing in the expanding programs that the universities do have on Chinese language, and Chinese culture, and China studies, and not rely on outsourcing it to Confucius Institute, or anything else for that matter.

MR. LI: Well, with that probably we have to conclude this session. And I want our audience to join me and really thank you, congressman, to at this critical time, still provide a more optimistic view about the U.S.-China relations in that regard. Again, please join me thanking the congressman. Thank you. (Applause)

Let me turn to my colleague, Ryan Hass, they have a really quite distinguished group of scholars to comment on the challenges. Thank you.

MR. HASS: Good morning. My name is Ryan Hass I'm a Rubenstein fellow at the Foreign Policy program here at Brookings Institution.

I'm pleased today to have the opportunity to serve as moderator of an expert panel that will examine key questions relating to U.S.-China relations and specifically the impact of Chinese activities inside the United States for the future trajectory of U.S.-China relations.

I've asked our expert panel to examine the nature of transcurrent actions inside the United States with an eye towards several questions: Where is the line of acceptable and unacceptable behavior, to what extent do Chinese actions diverge from the efforts of other countries to influence public opinion in the United States, and how can the United States effectively and appropriately address the challenges without inflaming them into an ethic issue or repeating to the

excesses that we saw in previous periods of U.S. History.

I will again be asking each of the experts to offer a few opening comments to kick off the conversation. We will then open it up to the floor for an interactive session of questions and answers, and I will reserve the final five minutes of this session for the panelists to have an opportunity to provide any closing thoughts.

But before I do so, let me briefly introduce the panelists. Our first speaker will be Shanthi Kalathil.

Shanthi is director of the International Forum for Democratic Studies at the National Endowment of Democracy. She's also a leading expert in developing the concept of Sharp Power.

Our second speaker will be Professor David Shambaugh. David is the guest and senior professor of Asia studies and founding director of the China Policy Program in the Elliot School of International Affairs at George Washington University.

He is also one of the most active public intellectuals on China of our time. He's published more than 30 books and is a regular commentator on China and U.S.-China relations.

Our third speaker will be Professor Frank Wu. Frank is a distinguished professor at the University of California Hastings College of Law where he previously served as chancellor and dean. Frank is also president of the Committee of 100, a prominent Chinese-American leadership organization.

Further details on each of their biographies, which are much more distinguished than what I've presented to you are in the brochures that you have.

So with that, Shanthi, please take it away.

MS. KALATHIL: Is it okay if I stay seated here?

MR. HASS: Sure.

MS. KALATHIL: Thank you. Well, thank you, Ryan, and thank you so much to Brookings for hosting what is a really crucial and important conversation to have.

I should note at the outset that although the frame is U.S.-China relations, I will probably not address my remarks to that specifically and couch my remarks more on the context of the significance to democracies overall.

Because I think that many of the issues that we're talking about are of significance to democracies around the world, and we are starting to see some of the same issues play out around the world, particularly in established democracies like Australia, New Zealand, Germany, and so on.

I should also note at the outset, since you've mentioned this in your remarks and -- I would like to emphasize this that when I speak about China, sometimes I will say "China" as shorthand. I really mean to refer to the activities of the Chinese government and the party and not the Chinese people.

I think it's important to draw that distinction in these types of remarks, because I'm very conscious of not wanting any of these remarks or the discussion to shade over into xenophobia or racism, which is something I think none of us in discussing this issue would want.

So that's why I try to be careful and precise in framing that. When I say "Beijing", that's what I mean to refer to there.

It will be hard to go into some of the full breadth of some of the work that my program has done around these issues, but I thought I would start just by couching it in terms of my own experience doing some research on Chinese internet censorship and the way that the Chinese internet unfolded within China. This was back -- and started in the year 2000 actually a couple doors down at the Carnegie Endowment.

At the time I was just curious, because I had spent some time as a reporter in Hong Kong covering how the internet was rolling out through Asia, how it was starting to penetrate in Hong Kong, and China.

At the time there was a tremendous amount of enthusiasm about how openness and the internet as representative of sort of open engagement and open societies would ultimately transform more authoritarian societies.

So my coauthor and I looked at several authoritarian countries to determine whether or not these types of predictions would in fact be borne out.

In our research what we found is that actually authoritarian government seemed to actually have a handle on how to largely control the political impact of the internet within their

borders.

I focused on China in particular and I found my conclusions to actually go against the grain of what most people assumed at the time.

So when we came out with our book, it was not really that popular. And a lot of people said, you guys are being so pessimistic and the Chinese government will never manage to contain the popular impact of this technology, so that was the reaction at that time.

Since then as things have evolved, I've continued to keep an eye on this issue with great interest. It is not surprising to me, nor is it of comfort to me, that I find that, in fact, the Chinese government has managed to control the political impact of the internet.

To a large extent if we were to use this as a metaphor for the type of engagement with open societies that we've been discussing, it has largely managed to control that as well.

What I have found surprising in recent years is the extent to which this concept that was introduced originally as a great firewall, right, the Chinese censorship system of the internet, from the Chinese government's viewpoint has essentially been rolled out to have a more global frame.

In essence that those types of techniques to try to manage and control political thought and speech that have worked well within China, are now being tested outside of China as well, in particular actually in democracies, whether in the U.S., Australia, and other places as well as in the vulnerable democracies that we studied in the Sharp Power report.

This takes place through a number of ways, both through the technology itself and through a more active and engaged Chinese government presence in the very forms that will shape how the internet unfolds.

So, China has been very active in trying to effect internet governance forms, for instance, to push its concept of what it calls cyber sovereignty in places where that essentially will affect how the internet will look, not now but in the future.

This, of course, would have great ramifications for speech in the future and the potential for political communication around the world in the future.

It's also sought to do so in a more granular sense, though, in trying to shape the

environments in which discourse about China takes place. You may be familiar with some of these recent instances in which pressure has been exerted on academic publishers, for instance, to censor journals that are published within China.

This has happened in a couple cases with academic publishers, and perhaps alarmingly was only really noted after it became published (inaudible, audio interference) Cambridge University Press and there was a widespread outcry and they were forced to walk that back. But without that attention to that issue, I'm not sure that would have gone noticed.

I know we're running out of time here, so I won't go into a long list of examples. But I found what Congressman Larsen said to be quite striking. I'm not football fan, so I don't know what a defensive coordinator is, but I think the metaphor about offense really rang true to me.

Not that I think the U.S. and other democracies should be offensive in their approach, but simply that they should safeguard Democratic Values at home.

There is nothing wrong and indeed it is incumbent upon democracies to understand what those values are and to ensure that if freedom of speech and association and expression is threatened at home, that Democratic Values are brought to bear, Democratic institutions are shored up so that those values can be protected.

This is not about telling another country what to do, per se, it really -- the focus here is on democracies themselves and how they can best live to their own values in standing up for freedom of speech and association.

The second thing that Congressman Larsen said that stuck with me was when he was talking about the human rights and freedom of expression and general civil society condition within China now, he said, I'm free to critique that and express my opinion. And when I'm done, I can get up and I can walk out of here.

Unfortunately for a number of particularly -- whether they're Chinese students studying abroad or others who may feel pressure by the Chinese government for various interests, that ability is not there within democracies as much anymore.

Not everybody can stand up in a democracy and walk out of the room after making a statement about the situation within China and feel similarly protected, and that to me is

unacceptable in a democracy.

I think in a democracy, you should be able to express yourself, you should be able to clearly analyze the situation, and -- to go back to the comments made by -- at the beginning of the session, there have been calls to apply a clear headed and analytical approach towards the Chinese government.

If the means of expression and the means we have to understand the Chinese government are constrained by the Chinese government themselves, it will be impossible to have that clear-eyed assessment. So ultimately it goes back to that and to reaffirming our own democratic values.

I'll leave it there.

MR. HASS: Thank you very much, Shanti.

Now, Professor Shambaugh.

MR. SHAMBAUGH: Well, this is a hugely -- well, thank you, Ryan, first of all, and to Cheng and to Brookings for organizing today's session, including in -- it's a pleasure to be back at Brookings.

This is a hugely complicated topic, unlike Shanthi who spoke extemporaneously, I've tried to organize some of my thoughts, not least because there are a number of journalists in the audience. I want to make sure what I say is called correctly.

This is a huge topic and time is not great, so let me just try and offer some distinctions I think that we need to be cognizant of as we think about this topic.

First of all we've had the concept of soft power in our vocabulary now ever since Joseph Nye's book appeared. More recently we have, thanks to the National Endowment of Democracy, the concept of sharp power.

I personally am still trying to wrap my brain around this term and that concept and whether it applies to China, with a question mark.

I guess my sense is that it does not apply yet to China. What I see China doing is more what I would call public diplomacy with Chinese characteristics or journalism with Chinese characteristics.

Thirdly, the term the Chinese use for this is very important. We have to understand China the way they define themselves. The term they use (speaking Chinese), external propaganda work; (speaking Chinese), or they translate (speaking Chinese) publicity, but it's really propaganda, so that's one distinction.

Another distinction, China is very different from Russia in what we see Russia doing. Sharp Power and other harsher terms very much apply to Russia. Russia it seems to me is very much trying to subvert American and Western Institutions, democracy, and values.

China I don't see trying to do that. For China, it's all about China controlling, as Shanthy just said, the international narrative on China, that is their bottom line and that's their goal.

They have concluded back in 2007 at the 17th Party Congress when Hu Jintao gave his speech and first used the term (speaking Chinese), soft power, in his speech, that was the result of an assessment that the Chinese have made that image matters in international relations and that their image wasn't particularly good and they needed to start paying attention to it.

So from 2007 and 17th Congress onto the present, they have been pouring huge resources into a whole range of activities, towards what end, to effect the international narrative on China, that's what they're after as far as I can understand.

So it's not really soft power, it's not really sharp power, it's public diplomacy with Chinese characteristics. They have a huge bureaucracy, huge budgets devoted to it and there are many targets outside of China.

Who are these targets, well, in this country, the U.S. media and their own media. There are a number people in this room representing the Chinese media. They are part of this influence activities, if you will.

Another target oversees Chinese and Chinese-Americans, academics, think tanks, universities, the Brookings Institution, the Carnegie Endowment, John Hopkins, Peterson Institute, we are targets of these activities.

They try and affect how we think about China, how we write about China, whether they have an impact on that is another question. But I'm just saying we are sort of the (inaudible).

Third targets, national, state, and local politicians, whether you're in the Congress or

you're in the state government, you're in the municipal government, or you're in the White House, or the Executive Branch. Fourth target, the public at large. Finally, as Frank will talk about, Chinese-Americans.

So this a very organized, sophisticated, well-resourced operation. We can talk about more if you're interested who the actors are, so that's a distinction.

There's another distinction I think is very important between exchanges and influence activities. I would argue that all exchanges are, in fact, influenced activities -- attempted influenced activity. We do it, they do it, Britain does it, every country does it.

You go into an exchange, you're not just mutually going into the room to have an exchange of views, you're trying to get the other side to see your view.

So we bring Chinese to this country and people from all over the world under various exchange programs. They bring Americans to China from all over the world under various exchange programs.

What's the goal, to get them to understand, the foreigner, to understand China's perspective and hopefully have sort of positive feelings about China when they go back to their home country.

So exchanges are good but -- and it's really up -- at the end of the day, it's up to those foreigners who are targets of China's influence activities to make up their own minds, be independent. You can resist being propagandized, you can resist being co-opted into China's narratives. You don't have to use China's narratives and language and (speaking Chinese), slogans.

So just because the Chinese invests a lot in these activities, doesn't in fact mean that they're successful. If you look at public opinion polls around the world, China's image continues to be mixed, better in some parts of the world, worse in other parts of the world.

Now, just to conclude my own thoughts on this, so there's no real evidence that the Chinese in this country are doing what the Russians are doing, or in any country.

Nor is there any evidence, yet that I can see, that what they're doing in this country follows on what they've done in Australia and Europe based on the reports and the evidence we

have from Merick's (ph) in Berlin on the Europe case and a lot of media reporting in Australia.

I've looked at those cases very carefully. I do not see those things happening yet. Maybe it will, but not yet. So it's potential, it's not here and real in the United States.

Nonetheless there are concerns and Shanthi I think has just listed a number of those. I'd like to finish on the same note she did and Congressman Larsen did, Chinese studies and the understanding of China, this is what really concerns me.

The real threat is how is China studied around the world. There are whole areas of China Xinjiang (ph), Tibet, Gansu, Qinghai, Ningxia, for example, are off limits, physically off limits to foreign scholars.

The archives are closed and off limits. There is not a single ministerial archive in the Chinese government open to foreign scholars. Foreign Ministry archived used to be open, now it's closed.

Number two archives, nationalists archives and (inaudible); closed; military archives, closed; party archives, closed; many libraries, closed; opportunities to interview officials at many levels of government in China, restricted.

Just being a resident Scholar, visiting Scholar, in Chinese research institutions highly constricted. There is such a lack of reciprocity in the scholarly exchange domain between the U.S. and China that if you want to get a new China policy, I think we have to add that to the mix.

I agree with Congressman Larsen that the United States government can Congress needs to allocate -- have a strategy and allocate substantial funding.

If we're worried about Chinese money or Hong Kong money coming into our institutions that might affect our research agenda, well, then the United States has got to fund Chinese studies and other country studies. So I'm glad he ended on that point. It was a point I was going to make too.

So I think I'll stop there, but there's a lot to go into.

MR. HASS: Thank you very much.

Mr. Wu.

MR. WU: (Speaking Mandarin), for those of you not fluent in Mandarin, which

eventually we all will be, I just said, good morning, everyone. Even my name is Frank Wu. I'm an American. I'm not a spy, I'm not a spokesperson, but I do aspire to be a bridge builder.

The way I opened actually is a little bit of a parlor trick, that's about all the Mandarin I can manage. Whenever I visit China, awestruck, I realize my mother was right, I should have paid attention in Chinese school.

So that's a way to frame my comments. As a law professor, I'll make three points. Law professors always make three points.

The first like our Keynote Speaker, Congressman Larsen, I'm going to challenge the framing here, the very title.

The issue isn't whether the United States and China will engage with one another, the issue is on whose terms it will engage.

And engagement historically has been thought of from a western, specifically American perspective, their sense being, perhaps naively that, that China would come around, would as it opened up, as it interacted, as it adopted, more or less a market economy with Chinese characteristics that those characteristics would fall away and it would join a world border that was liberal democratic, small D, and that has not come to pass.

So let me offer a different sports analogy to think about this, because if you ask me the challenge now is will we engage on China's terms or will we engage on some mutually agreed upon neutral set of terms.

So the sports analogy that I would offer is to lend sanity. When Jeremy Lin was a rookie phenomena in basketball, statistically, quantitatively, beyond argument no other rookie player had achieved in NBA history what he achieved; that is, he performed better than any other rookie ever.

Over the past decade, China has performed better than any other nation in recorded history in the following sense: I mean, objectively materially, measured quantitatively, it's not hyper.

What I mean is if you look at the sustained growth over a period of time, the amount of growth and just the sheer number of people lifted out of poverty, I would challenge you to cite any other example of any other society at any point in time that has had that sustained growth, that

amount of absolute growth for such a significant number of people. It just hasn't happened, so this reframes how we understand engagements.

The assumption that America would dictate the terms of engagement is not a good assumption, and that's the realization as we enter engagement 2.0 that the terms of engagement will be very different, so that's my first point. It's not will there be an engagement, it's who gets to set the rules of the engagement.

The recent announcement of tariffs and what might come from the White House, this may be the last moment when America attempts to set the terms of engagement, and whether it is able to prevail is about much more than just steel tariffs.

The second point that I would make is we're also witness to a technological transformation and a social media transformation that enables global communities to form, transnational communities that did not exist in the past through, for example, WeChat.

So earlier generations of migrants to the United States thought that they were leaving behind their home villages, their families, that perhaps they might not ever see their parents again.

When my parents came here to the United States, my mother used to write a letter every day airmail. Some of you may remember this, you would follow the letter into its own envelope, because we couldn't afford to make an international telephone call. It was just beyond our means, unless it was to announce that a child had been born or something along those lines.

Today, however, for free, you can use WeChat and have a video conversation. This means if you move from Shanghai to San Francisco -- first of you all you can move without being high net worth and you can travel back and forth readily.

But because of technology, you can continue to interact with your boyfriend or girlfriend. You can maintain a relationship. You can share cat videos and so on.

This means that never mind what the government does, there is now organically a sense of community that spans the world that did not before that creates diaspora identity and that complicates how we perceive all of this.

So it would not I think be accurate to say that people fall into just one category.

There are people who are effectively transnational who see their lives, their careers, and their families as shuttling back and forth in a meaningful way without distinction for national boundaries that are set legally or for notions of sovereignty.

This will really alter how we see these dynamics, and I don't just mean with foreign students or with tourists, I mean in a more permanent sense -- and this has always been part of how the U.S. and China work together.

Was it Mao who said something about exporting Chinese women to the United States when Jimmy Carter complained to Deng Xiaoping about human rights and Chinese not being allowed to leave, Deng Xiaoping's reply to Carter, well, how many Chinese would you like me to send to you, would 10 million be enough.

So there is now a community that is not defined anymore the way it previously was by notions of sovereignty.

Third and finally I would suggest this is an ongoing process. Part of the mistake that we make is thinking that there will be definitive closure, that there is some way to resolve matters.

This is just a constant negotiation which is why it takes well-meaning people thoughtfully to work on these issues.

Because with everything that we look at today in issues such as North Korea -- the world could end any one of a dozen ways tomorrow, right, that's the existential threat we all feel.

Social scientists tell us one out of four children is chronically depressed. We live in anxious times such as we've never experienced. Part of what we have to understand about the disruptive economy and everything else is just the sheer volatility that we see in the world beyond U.S. China.

U.S.-China is just one piece of that that at every moment something could happen, whether it's a single telephone call that disrupts 40 years of a received paradigm, and so on and so forth.

So it requires an adaptation and an ability to see that it's now a 30 second news cycle and if we can't live with that, if we just earn for a definitive understanding, whatever our view is, whether we're Chinese or American or Chinese-American or Chinese (inaudible) that moment is not

going to come. It's just constant engagement and a constant process.

So those are my three points. Thank you.

MR. HASS: Thank you very much. I think that you've offered a lot of thoughts that will provoke an interesting exchange, but before we turn the floor over to the audience I'd like to use my prerogative as moderator to bounce a few questions off of each of you.

Shanthi, you and your colleagues have spent a lot of time tracing Chinese activities, whether we want to call it sharp power, influence operations, whatever term we want to use, Chinese activities to influence discourse in other countries about China.

Is there anything that we have watched or witnessed from their activities in other places, whether it's Europe or Australia, that could provide a leading indicator of the direction in which we may see Chinese activities in the United States evolve going forward.

For Professor Shambaugh and Professor Wu, you're both at the frontlines of universities of an active debate about the role of Confucius Institutes, but you're also key voices in the broader public discussion about Chinese activities in the United States.

I wonder if between the two of you, if you could maybe offer any thoughts about Confucius Institutes in United States but also about public discourse and the way that the media is talking about Chinese operations in the United States.

Are there any distinctions about these activities that we should be aware of?

Shanthi, why don't we start with you?

MS. KALATHIL: Sure. In the context of sharp power report, my colleagues deliberately sat out to look at emerging or vulnerable democracies, young democracies.

So the parallels there to the U.S. are not so great, but it does speak to some of what -- David, I believe you mentioned earlier about being aware of the context around exchanges and of the context around Chinese media efforts, and so on, which I don't disagree with.

I think what was striking in those contexts is there is no context. There isn't that depth of local knowledge about China that can objectively assess the impact of these exchanges and media influence.

Because China has been so active in investing in some of these younger

democracies, that local knowledge of China is not there, they do not have China studies departments, all of the learning about China takes place from the Chinese government framework. As such, there are certain key elements that are not present in that framework.

So that is not -- to try to get to your question, that's not so much a leading indicator for the United States, but perhaps more broadly for the rest of the developing world. In particular where China's been very active, that is something that I think should be of concern.

For the United States I read -- last year I remember reading a very striking Op-Ed in The New York Times by Juan Don who is one of Tiananmen activists that later came to seek refuge in the United States.

He wrote a compelling piece about how after that he had gone on to get his Ph.D. at Harvard and went to Taiwan to do these salons where he would have these types of open exchanges that I think we're talking about where you could have a full discussion about China, including the good things and the bad things, including discussion of Tiananmen and things that in Taiwan you would be free to talk about.

He said he would get a lot of students that were visiting students from Mainland China to those salons. There is a great interest in that, because they're just -- that is not part of Chinese history as learned within the PRC.

He then thought he would come and take that model to the U.S. and he thought I'm really excited to bring that to the U.S., because it's been so popular in Taiwan. He found when he came to the U.S., it was actually quite difficult but -- people would come to his salons, but the students from Mainland China would be very cautious because they were aware that others there might be informing on them, that if he said anything that might be perceived as controversial or against the party line or contravening any redlines back home, they may well when they went home get a visit from the Public Security Bureau and/or have their families threatened.

So that to him he found quite surprising and distressing. I guess if you're looking for a leading indicator that's actually happening right now.

That's what I mean by being careful about defending our own values of freedom of speech and expression here at home, so that we can protect people who feel vulnerable in those

situations.

I don't think that it is unfair or unreasonable to expect that on university campuses we should be free to express and examine China in all its complexity without fear of reprisal.

MR. SHAMBAUGH: Well, on Confucius Institutes, it's a subject I've followed very closely and have been involved with in my own campus, George Washington University, we have Confucius Institute.

I'm of a different view than Congressman Larsen. I see them as quite benign and devoted to their primary mission of teaching language and cultural studies while at least speaking, whether it's film, cooking, Tai chi, whatever.

I thus far don't see evidence that they are being politicized. There have been a couple of cases -- there's certainly a lot of publications, a lot of controversy, Marshall Sahlins, University of Chicago's articles.

There have been a couple of closures, West Florida University most recently. There are some universities, Princeton, for example, that decide -- University of Pennsylvania not to go ahead with a Confucius Institute when they're considering it, but there's been very few closures.

University of South Florida there was a controversy, but there are nearly 200 Confucius Institutes in the United States. We've had less than five controversies, that tells me one thing.

Secondly, there is a lot of this -- this sort of goes to the set part of your question, Ryan, about the reporting in the United States.

There's a lot of assumptions and innuendo I find in the reporting. One assumption is that a Confucius Institute, and Congressman Larsen even convinced -- Confucius Institute somehow affect the curriculum of Chinese studies the way China is taught on campus, absolutely wrong.

There's a complete firewall between Confucius Institutes that teach language and the Chinese -- the rest of the faculty and the curriculum on every university campus, not just at GW, across the country.

So they have no impact on how Chinese studies are taught, so that's a flawed assumption that a lot of journalists leap to.

They tend to take a couple anecdotal cases and string it together and say here's a case. So that's a flaw. So I see Confucius Institutes so far -- we had to watch them very carefully.

So I say two things: We need to have absolute tight oversight, faculty oversight. We have a Faculty Oversight Committee at GW. We meet regularly, we monitor what they do, how they do it. It's like they're under a spotlight by the GW faculty. Every Confucius Institutes in the United States ought to be under a spotlight by their faculty, that's called oversight.

Second recommendation is transparency. Now here is a problem. The contracts between recipient universities and the Hanban are kept confidential by request of the Hanban.

So when Hanban signs a Confucius Institute with George Washington, they will find a partner university, in our case Nanjing University and there's an agreement signed. Well, it's kept under lock and key in the president's office of the university. That's not appropriate in American universities. American University Faculty Senates and faculty and administrators should have open access for oversight purposes.

One element of those contracts is that Confucius Institutes must obey the laws of the People's Republic of China, so that's a problem.

So there's a suggestion that we have to make all these CI contracts, not publicly available necessarily, but available to the oversight -- proper oversight authorities on each campus.

Lastly, I fear that there's a kind of momentum in this whole issue of influence operations that the media -- the American media there's a kind of train has left the station. We have to be very, very, very empirical and very careful in how we assess this issue, not least of which is because of Chinese-Americans.

There's a kind of McCarthyite undertone I sense that is there. I think we have to be very careful about that. We have to look very carefully at all these operations, whether it's funding through a think tank or a Confucius Institute or some (inaudible) for Congressman to China or exchanges with organizations, American NGOs.

We have to be very, very empirically careful on how we look at these and not sort of pull together loose anecdotes and string it together into a narrative.

MR. HASS: Thank you, David.

MR. WU: Briefly, the more we engage, the more we study, the better off we are. So I would welcome any means to increase the learning of Chinese language and Chinese culture.

If you just look at how the world will be within our lifetimes, it would be a terrible mistake for us as Americans to fail to take advantage of opportunities to learn about China however that comes while always keeping our eyes open.

I have a concern that we judge actions very differently. In my classroom you know what I worry about, I worry about all of my students, not just the ones from Mainland China, I worry about my law students not thinking for themselves, not standing up, not speaking out, feeling they have to articulate the prevailing view that their peers find popular.

I see that as a universal issue. Now, this may just be a function of age. I'm 51 this year, so now I'm old enough, as my students tell me, to be the age of their parents, so I look at wasted youth. So I see this as universal, but that's part of the problem.

There's no vantage point from which we can assess any of this that's neutral and accepted by all. So there's so many types of conduct that if one person engages in, innocuous or praiseworthy but if someone else engages in, it's suddenly suspicious.

Here are two examples: So if you're Chinese descent and you're an immigrant or maybe even a U.S. citizen and you go visit your ailing parents or grandparents in Beijing that's going to trigger some concern if you work for the federal government or have you a role that's at all sensitive.

If you're of Irish descent and you visit your ailing parents or grandparents in the home country, that's just doesn't attract concern. Likewise if you're a white business person and you go and conduct business in China, well, who wouldn't do that. You'd be foolish not to present an opportunity.

But if you're Chinese-American, even if you're a sixth generation Californian and you want to do business in China, well, that attracts attention that's negative and it's unwarned that it's negative.

So I worry that there's no vantage point from which we can assess this, and this is true of me as well, we are all biased in some way. So I'll conclude with a simple-minded statement

that should not be controversial, but can very quickly lead to controversial normative judgment. Here's a simple-minded statement about China, which is it is now apparent to all that China does business differently.

I mean, business in the little sense of business with SCOs, but also business in the sense of academia, Confucius Institutes. China has a different set of cultural norms.

The challenge for us is to ask, us as Americans in the nation that's open that celebrates diversity and wants to interact with China, we want the consumers, we want access to the market, what do we do when a nation has sufficient bargaining power and is only increasing in its power and it says, look, you want to do business with us, here are the norms for doing business with us, here's what a mack needs to look like.

So this a choice we have to make and we can avail ourselves of soft power and our ideals, but that's the bottom line here, that we are now interacting with and wish to interact with a nation that has a set of norms that it is offering to the world as an alternative to American ideals and American leadership.

MR. HASS: Well, I think that you have provided a lot for people to comment on or react to. If anyone has questions, we welcome them now. In the back -- we'll take two or three questions at a time. In the far back, straight back. Thank you.

MR. ZHAO: Hi, my name is Tony Zhao. I'm with State Legislative Leaders Foundation. Good to see you again, Professor Shambaugh. I'm one of your former students at the Elliott School.

I'd like very much for analysis of different channels of Chinese influence on the U.S., my question goes in the other direction.

How do you think the United States has influenced China in the past 30 or 40 years and has that influence played a role between U.S.-China relationship?

For example, I've been influenced by you and by the Elliott School in paying my own tuition and also I know there are hundreds of thousands of students just like me and also the fact that every Chinese student has to learn English from the third grade in their elementary school.

Do you think there are factors that have influenced United States, has influenced

China in a governmental way or nongovernmental cultural way that might have played a role in the past 30 or 40 years engagement with China? Thank you.

MR. HASS: Thank you. Why don't we take one or two more questions. Next to you.

MS. BRAUTIGAM: Hi, I'm Deborah Brautigam from John Hopkins University, the China-African research initiative and my question is also to David Shambaugh, but it could be to others in the audience.

It seems that so much of we're talking about now, we have seen before. David, you mentioned the McCarthyite echoes of this. To me, I also see a lot of echoes of Japan's rise and our concerns about Japan as an East Asian power and an economic competitor.

China of course is bigger than Japan and that makes it different. China of course is communist, Japan is not. But what do you see as the key differences given that there are all these similarities in these echo?

MR. SHAMBAUGH: Well, Deborah, I think my fellow panelists can also respond to that. Well, key differences have to do with the political system of the People's Republic of China, that's the key difference, and what they permit and don't permit inside their own borders, that's a lot different than Japan, the Japan case.

I'm not sure we need to compare China today with some of these other previous times, but we have to remember what did happen in the early 1950s within the McCarthy period.

There was a tarnishing -- of course that was a really strained period. It was right after the Revolution, we had no diplomatic relations, a lot of things were going on, but there was a tarnishing of our leading China specialists in our government and in our academic community.

It devastated those people's lives, the American ability to understand China at a very crucial time. Even though we didn't have diplomatic relations, Korean War was about to break out and it really fed into -- I'm not going to attribute the two decades of estrangement that we had between the U.S. and China to the McCarthy movement, but it fed into that.

I'm afraid we need to -- the point is we need to invest in China studies now, not sort of go after and tar and tarnish the reputations of China experts. I sense that hasn't really happened

yet in this current period of so-called influence operations, but you can sense an undertone of that, and that concerns me, not just because I'm a China specialist, so I think we have to be very cognizant of that and we have to be very cognizant of the Chinese-American dimension of this too.

Gosh, I don't know, you have to take another course from me to try and address your question about American influence on China. That's a huge debate and I suppose this is one reason that Cheng Li has organized today's session is the Kurt Campbell, Ely Ratner article, "Does America Need a New China Policy" that's why we're all here.

Well, the argument Campbell and Ratner put forward -- I'm not sure I share it completely, I do in part -- is that the American attempt to change China over the last four decades has failed, that's their argument and we need something new to replace it.

Where I don't agree with that is how you measure change, for example. The United States and the outside world have contributed to capacity building and the growth of Chinese institutions, the statistical system, environmental system, legal systems to the extent that it -- so you have to think about change in a more broad context than just the political system.

Of course we would have liked Chinese political system to be different than it is today. Well, ten years ago it was different than it is today I would argue under Hu Jintao and Jiang Zemin and Zeng Qinghong. It was a much more open -- just relatively more open political system than it is today, so it goes back and forth. It's what the Chinese call (speaking Chinese), open, close.

So American influence has been substantial. It's going to continue. I think all of you who study in this country, 350,000 this year, go home. You go home with your own experiences, your own memories, and you have to work from within the system to educate your fellow countrymen about the real United States.

MR. HASS: Shanthi, Frank, would you like to offer anything now?

MS. KALATHIL: Gosh, just briefly. I think we have to be pretty careful about throwing around terms like McCarthyism and McCarthyite. I would hate for the need for a more rigorous and careful understanding of the Chinese government's policies to be equated with a very dark time in our history that's also associated with racism and xenophobia.

On that note, I rarely bring my own heritage into things, but as someone who's Chinese-American myself, I'm proud of my Chinese heritage and culture and I want my kids to as well.

As an American, I don't take kindly to my government or other governments telling me how or what to think, and those two things are not contradictory and I think that needs to be said cheerly.

MR. WU: There is a world-wide phenomenon that if you're here at Brookings in Washington, D.C., some place cosmopolitan, if you identify with a hyphenated status, such as Asian-American or Chinese-American, it will shock and alarm that we're seeing in the newspaper headlines every day, and that's the rise ethnic nationalism, including here in the United States, a form of virulent ethnic nationalism, whether it's in China, the U.S., or Europe, or everywhere, is now resurgent an open in your face ethnic nationalism and this should concern us regardless who we are if we're not ethnic nationalists.

Which I'm going to guess most people in this room just aren't, and that may ultimately be the divide, not a U.S.-China divide, but the ethnic nationalist versus more cosmopolitan divide.

SPEAKER: (Unintelligible) of Hong Kong. My question is also for Professor Shambaugh. Three years ago today exactly three years ago --

MR. SHAMBAUGH: I'm not going to respond to the question, sorry. I can tell you I know where you're going and I'm not going to address the question.

SPEAKER: No, actually -- yeah, I know you published that article and aroused a lot of debate, right. How would you evaluate today's situation in China?

MR. SHAMBAUGH: That's not what this session is about. It's about U.S.-China relations today.

Next question, please.

MR. HASS: Sophie Richardson.

MS. RICHARDSON: Thanks. Hi, I'm Sophie Richardson. I'm Human Rights Watch China director. I wanted to ask -- first of all, thanks for three great presentations. It's lovely to see

you all.

I wanted to ask Professor Wu to elaborate on two of the points that you made would speak to a number of different discussions going on --

MR. SHAMBAUGH: Can you speak up?

MS. RICHARDSON: Sorry, a couple of questions for you about two of the points that you made. One, I am an American, I don't speak basketball, so I don't totally follow that analogy, but you spoke about China's rookie successes.

I guess I'd like to ask you to reconcile the successes that you were talking about with respect, for example, to economics or diplomatic initiatives with a fairly appalling human rights record up to, including the death and detention last year of Nobel Peace Prize winner, Liu Xiaobo.

A different kind of question, you spoke very movingly about the importance of transnationalism and the relevance of exchanges. Those are obviously things we support, but I'm guess I'm interested to hear you talk about your reaction to moves by the Chinese government effectively to divide itself in communities inside China from counterparts outside the country through things like either foreign NGO management law or even some of the steps that have been made either to restrict the idea of dual nationality or fairly harsh treatment of people who are of ethnic Chinese descent but who aren't PRC citizens. Thanks.

MR. HASS: I'll give you a second to collect your thoughts, maybe we'll take maybe one or two more questions.

MS. LEO: Hi, I'm Chin Leo from China Xinhua News Agency. My question is going to Professor Shambaugh. This could be a follow-up question for your mentioning about the McCarthy sense undertone in the media.

So my question is that to what extent do you think that this undertone has been affecting the academia, the universities, and the think tanks in the U.S., and just based on the current situation do you think that in the future this could be a mainstream or rally a rising trend just in the academia. Thank you.

MR. HASS: Let's take one more question before.

MR. JONES: Bill Jones from Executive Intelligence Review.

Congressman Larsen mentioned going back to expanding OPEC, EXIM Bank, doing things we used to do once upon a time. It seems to me that China -- that the system that we had going up to the present moment from about the 1970s has not been as successful as it had been before that.

The Third World countries for, what, decades now are talking about a new world economic order that never came. The fact that China launched this its Belt and Road initiative has overturned that situation. Now, Africa, Latin America, everybody is looking for development. The issue is cannot the United States begin to cooperate with that.

Congressman Larsen said we ought to go on the offensive, I think that's true. We should reestablish OPEC, EXIM Bank, and these institutions. We could do this together with China.

The Belt and Road as the Chinese has said, as President Xi always says, it was initiated by China, but we really don't own it and we would like other parties to be a part of it.

If the United States would say -- President Trump with his good relationship with President Xi should say, yes, we would like to be a part of it. How can we help and what can we do.

Wouldn't that have an effect in changing the whole nature of this situation? I think the Chinese would be open to that, and that would -- actually could become the center of this major power relationship that the Chinese want to accept.

Nobody seems to think that everybody's viewing the BRI as a Chinese operation, even though they don't see it themselves in that way.

MR. HASS: Do you want to kick us off this time?

MR. WU: Sure. So with respect to the rise of China, I have -- I'll answer a question with a question and it's not a rhetorical question, it's actually a thought experiment. I'm not the first to suggest this.

If are the head of an African nation looking at President Xi and President Trump side by side, which you could do just a few months ago, and both offer a vision for global leadership and perhaps specifically a material offer to your nation, which one of those individuals would you choose to follow, especially if they made you some sort of tangible offer, an offer you can't refuse.

This is not a rhetorical question I actually and it's not partisan either. I actually mean

to suggest if we look at these two models, which are now being presented -- so we talk about this from either a U.S. or Chinese perspective, think about the rest of the world. They're watching this and they're looking at these two alternatives. So that would be my answer to your question about the rise of China.

Part of the challenge for anyone would want to interact with China in any way whatsoever is with issues that you might want to raise, whether they're about human rights, whether they're about anything that China regards as internal.

Is there a means if you want a bridge build, if you want to engage, if you want to obtain a visa to raise these issues, and I pose this as a question for us collectively.

It is difficult to conceive of an increasingly difficult, for those of us who want to effectuate some sort of change, to ask how can we interact meaningfully.

I don't have an answer to your question other than to say what China has demonstrated is that it has been able to achieve the material success to the satisfaction of large numbers of its citizens without the accompanying changes that the West assumed would just follow naturally.

MR. HASS: Shanthi, David, do you have anything you want to offer?

MS. KALATHIL: I mean, just to follow on that a little bit. I think much of the past debate on U.S.-China relations, just to bring it back to your session today, and certainly in past administrations when human rights were raised, it was in the framework of human rights within China the extent to which certain administrations felt comfortable pressing this as a key point or wanted to relegate it to the background.

For me what I think has shifted is how comfortable are democracies in raising and protecting key concepts of democracy within their own borders with respect to the conversation with China.

To me that seems not just reasonable, but perhaps fundamental to what Democratic governments should be doing. If free speech is, in fact, a cornerstone of democracy, as I think many would agree, then it is incumbent among all of us in a Democratic society, and particularly at the governmental level, to defend that key cornerstone, and that should not be controversial.

That is a reframing of the U.S.-China relationship or, in fact, all democracies that are engaging in China, and it becomes less about what you're advocating for within China, although that's certainly part of what should be raised, but also what are you prepared to defend as your key interests at home.

That is a perfectly reasonable thing to raise in the context of bilateral talks or relationship. In fact, I would be surprised if the Chinese government didn't expect it to be raised in that context.

MR. SHAMBAUGH: I hesitated to use that term "McCarthy" and maybe I shouldn't have. Maybe another term like "witch hunt" is perhaps better, because it does have a lot of very negative connotations and we had a very difficult period in our country's history as a result of that, which we don't want to repeat.

But I'm just trying to say that there are these -- I think there are these undertones that were -- and others that I sense in the American media about this and I'm just trying to caution that this has a kind of momentum on its own.

We need to stop that train in the tracks immediately, not go there, and investigate as I've said, and I think Shanthi would agree, this phenomenon of Chinese activities in the United States very carefully, very empirically, very systematically, and let it lead where it leads.

Some areas we will find some things that are discomfoting, other areas we may find that there's nothing discomfoting, but this is early days and we need to do this systematically. I'm part of a project in fact that is trying to do this.

What I worry about is free speech and the ability for all of us to speak freely in our own societies without any retribution, you know, Congressman Larsen spoke about this, but there is a variety of potential retribution from China for things that Americans or other foreigners say or write.

Now, you just asked me a question about an article I published two years ago. I'll tell you, there has been consequences. I have been punished by the Chinese government and your articles as a result because of that.

So I have paid a personal and professional price in the last three years for my free speech, my professional opinion on where China was at that point in time.

Is that appropriate, I don't think so. We have free speech in this society. I'm just using my case as one instance.

There is institutions, University of Maryland, University of California San Diego, Emory University have been institutionally punished by China for actions they have taken.

My point is that this -- there's a kind of fine line. We don't want to self-censor. American-China specialists certainly should not self-censor themselves and should be reminding themselves every morning when they wake up to call it as they see it without fear of retribution from the Chinese state, but there is retribution from the Chinese state and that is a real problem.

MR. HASS: Thank you. We have time for one more round of questions.

SPEAKER: Thank you. I'm (unintelligible) from China Daily USA. I like you to comment on the latest U.S. survey on China's U.S. image conducted by Pew. The results were released on February 28th.

It say that 53 percent of the U.S. public views China favorably or most favorably. This compares with the 50 percent of the favorable opinion on China.

This percentage, 53 percent is the highest in past 30 years. But given the rhetoric, the Trump administration's rhetoric about China, there's like trade frictions between these two countries, how do you think about this, how do you comment on this finding by the Pew Polling Agency? Thank you.

MR. HASS: Thank you, and -- right here.

SPEAKER: Hello, my name is Suzanna Vessa (ph), I would like to ask -- you all talked about the need for more studies of China and the U.S., but you also mentioned the fact the fact that the academic access is being significantly decreased over time in China, so what can the U.S. do, what leverage does the U.S. have to increase the openness of the Chinese government and what trends to you predict for the future?

Thank you very much.

MR. HASS: The final question will be back here.

MR. VUNK: Hi, Paul Vunk, reporter for the (inaudible).

Question for Professor Shambaugh. You mentioned that you don't believe that

China is doing what it is doing to -- you don't believe that China is doing to United States what it is currently doing to Australia.

Now, I wonder if you could elaborate on that a little bit what exactly China is doing to Australia that differentiates what it is not doing in United States. Since Australia is really ally with United States, should we consider what China is currently doing to Australia? Thank you.

MR. HASS: So this time I suggest that maybe we start with Shanthi, then Professor Shambaugh, Professor Wu, and then after that we'll give you guys a chance for any parting thoughts you'd like to offer.

MS. KALATHIL: Actually, don't start with me. I'm still...

MR. HASS: We'll start this way and head that way.

MR. SHAMBAUGH: Just very briefly on all of this, the way we tend to frame these issues confuses two questions. One question is what is actually happening, the other question is what do we think of what's actually happening.

So we get the factual inquiry mixed up with the normative judgment and that just makes it difficult for us to figure this out, and it's not black and white.

So the sentiment out there beyond the Beltway is very different than on Capitol Hill. What is it mayors and governors want, they want Chinese students, they want Chinese tourists, they want Chinese investment, they want a Chinese to come and rescue the steel mill that's in town that might otherwise close.

So you can simultaneously have incredibly harsh -- the most negative rhetoric emanating from Capitol Hill that does not match with the sentiment of the average person on the street or of politicians who are seeking investment.

So there's no contradiction, that's just the way America is. You can have these multiple viewpoints -- glass half full, glass half empty.

MR. SHAMBAUGH: On the Australia case, it's a big complicated subject we don't have time really to go into. But if you're not familiar with the Australia case, I would suggest you read the parliamentary report, the Australian parliamentary on it in a new book that has just finally been published called, "Silent Invasion" in Australia.

It details both of those -- I haven't read the full book yet, but the parliamentary report is extremely detailed and it's resulted in a lot of new legislation in Australia to try and prevent some of the things that had been occurring.

For example, Chinese funding of Australian politicians, for some reason Australia had no law about foreign funding for their politicians.

They've discovered that that's a problem and they're now enacting such legislation in a number of other areas, so there's that.

There's been censorship on campuses, there's been criticism of professors in the classroom, there's been video recording of professors given lectures in Australian classrooms that's been up loaded onto the internet that goes viral in China and then that professor gets bombarded with SPAM and other (inaudible) -- and email attacks from China, a lot of issues in the academic world. Anyway, the parliamentary report is the place to go to educate yourself on what's been happening in Australia.

If you go run through that long list of things that the Chinese have been doing in Australia, then you say is that happening here in America. I conclude, no, no, no, no, at least not yet.

And then we should read the Merrick report on Europe, similar, very detailed. So, I don't see that happening here.

Speaking of Europe, young lady from the Czech Republic, very interesting question, what can the United States do to improve the academic reciprocity, you might call it, with China.

I wish I had an answer. It's like many other areas, what can the U.S. do. The temptation is tit for tat, do to them what they're doing to us, close our classrooms, close our research institutes, close our libraries, close our archives, just have a cutout, no Chinese allowed in the national archives in Suitland, Maryland, no, we can't go there, that's not the United States.

We're a free and open society; that is our strength. We should never be tempted to compromise our free-and-open society's principles and values to retaliate against a society that's not free and open.

So there is a strong temptation to do that in the trade sphere, academic sphere, and

other spheres. I think we've just got to talk -- this is a government issue. The highest levels of the U.S. government have got to be raising this.

We have a people Memorandum of Understanding between -- of educational cooperation between the United States and the People's Republic of China. It's quite detailed. It's been renewed three times I think since 1979.

Well, we should go through that with the Chinese government point by point and look for areas where the Chinese side is not reciprocal and call them out on it. The academics have a role to play here to expose lack of reciprocity.

There's one academic at the Hoover Institution who's a historian and he's recently found some very disturbing evidence, he was with you, that the Chinese are redacting publications, online publications, journals, legal in this case, legal journals.

They're rewriting history quite literally. So if a foreign scholar wants to access a legal journal from 1957 in the Anti-Rightest Campaign, the -- it's in the hard copy, maybe at the Library of Congress, but if you gone go online through the CKNI index, gone. This is really concerning.

I think my point is that the media, the academic world can speak with its own voice to call out China on its restrictions and the U.S. government has to call out China on these academic restrictions, just as important as CFIUS or any of these other problem areas in the U.S.-China relationship. Thank you for asking me.

MR. HASS: Thank you very much, David.

We're near the end of our time. I wanted to give you all a last chance if there are any parting thoughts that you'd like to offer before we exit stage?

MS. KALATHIL: Yeah, I'll just very briefly say I think David's point just now about the role of civil society and the academic sector and themselves standing up for academic freedom or for certain values is critical and I think you're starting to see that now, for instance with Cambridge University Press when they made this quite agreement to censor their publications.

It was actually the outcry from civil society and from academics who said, no, this is not acceptable to us. There have been calls among academics to say we will not peer review, for

instance, for a journal that agrees to do this.

So there are ways that civil society itself can try to mobilize around these issues. I do agree and I would say that I think the response should never be to shut down open societies as a response to closed societies, that's obviously not an alternative.

This goes back to my original point about democracies having to identify what their core values are and to stand by them in these interactions.

One thing that I think we found in studying, not just China, but other authoritarian countries, is that how they manage and react to public opinion and civil society and independent media and independent expression at home is a good indicator of that approach abroad. Now, it's not always, but it is a good indicator and it -- because it's expression of the core values of the governing system.

So when that governing system takes that approach overseas into democracies, that's where you start to see the constriction of free expression as a result.

There is no reason why democracy should simply accept this type of relationship as the way that it ought to be. If democracies are concerned about their core values and believe that those fundamental tenants of democratic expression are worth standing up for, then that should be part of the conversation.

I think what we're in the middle of examining now is understanding how it's not been part of the conversation to date really and try to shed a little bit more light on that.

In those efforts, I hope that we will continue to be fair and to examine things carefully and with attention to detail and to not generalize, but to do so, as David has said, without fear of retribution, because that fear of retribution will curtail and shut down all forums of that kind of study to begin with.

MR. WU: Much of the harshest criticism of China reflects anxiety about America. What I mean by that is I take the keynote to say we have to get our own house in order.

I agree. We have core values that we must articulate and defend in advance, but part of the problem is our own core values in America are threatened in America, never mind from China, so that in part is the issue.

I make very few ideological statements, but I'll say something as an absolute. Engagement is almost always better than disengagement, nonengagement, and isolation. So the more that we can promote engagement the better. What we've now realized is engagement is in the American vernacular a two-way street and that's what we didn't realize before.

MR. SHAMBAUGH: Well, I think this issue -- as we move into this issue of Chinese so-called influence activities in the U.S., and we're in the early stages of this. The National Endowment did a really good report, I'm involved in another project that's working on one, I'm aware of two others, so this is going to go on for a while.

We just need to be -- just to reemphasize the point, ruthlessly empirical about how we go about researching and analyzing this phenomenon, because it is a phenomenon. It's not fake news, ladies and gentlemen.

Now, that's the first point. The second point is to be aware that exchanges -- I agree with Frank. We need them. All countries need them, and the U.S. and China really need them at this point in time.

But exchanges are about influence. As I said in my open remarks we -- but it's up to the potential target of the influence to be influenced or not be influenced. We have to have our intellectual integrity.

We go into a meeting with Chinese, we walk out of the meeting with Chinese. Has our thinking changed, perhaps? But it's up to that individual to come to their own conclusions.

But the last point is the one I guess I started on. This is all about China's desire to control the international narrative about their country.

Matter of fact I didn't mention at the beginning. They have the term (speaking Chinese), discourse war. This is a term that's used repeatedly in the Chinese media and propaganda of documents from 2007 onward. They believe they're in a discourse war with the west, which has a discourse hegemony, (speaking Chinese) over the description of China.

They think all western media have so biased the international communities' understanding of China that they're going into a war. They don't use the word (speaking Chinese) accidentally. This is not a contest or a sporting match, it's a (speaking Chinese).

So they have thrown billions of dollars into this effort and we just have to be conscious of what it is they're trying to do.

They're trying to affect the narrative lots of different ways, but we too, we have our own independent judgment. We should constantly analyze and describe China publicly in our academic writings as we see it and not be fearful of retribution.

But, ladies and gentlemen, Chinese states retribution is real and that's a price that everybody has to consider when they say something.

MR. HASS: Thank you very much. Please join me in thanking this expert panel.

(Recess)

MS. HORSLEY: Well, welcome everybody to the second half of our program. I want to thank you all for joining this very important conversation about U.S.-China relations during a period where it seems we've got a spiraling threat escalation going on exacerbated, as some of our participants starting about this morning, by domestic developments, both here in the United States and in China as we speak. We have many issues with China to deal with these days, challenges such as its assertiveness on the global stage, mercantilist trade policies, it's officially open investment regime, and then this relatively new issue that the first panel addressed about a perception of China's growing influence or attempts to influence the discourse in the United States and to export some of the repressive tactics that they use at home overseas as well.

The first panel was devoted to just trying to identify what some of these challenges are and our second panel is going to be trying to come up with some discussion of what the responses ought to be or what Frank Wu described as sort of engagement 2.0.

We're very delighted to have three wonderful experts on our second panel as well. You have their bios in the materials, so I won't spend time describing them again. But, again, we're going to be here to try to address how should China effectively respond to the challenges as well as the opportunities that are available in the U.S.-China relationship.

We are going to start off with Doug Paal, who is vice president for studies at the Carnegie Endowment for International Peace, followed by Elizabeth Knup, who is the Ford

Foundation's director for China and normally based in Beijing, so we're thrilled to have her here. And last, but not least, we've got Oriana Skylar Mastro who is an assistant professor at Georgetown's Foreign Service School and also a Jeane Kirkpatrick scholar at the American Enterprise Institute.

So, again, as with the first panel, we're going to ask each of them to speak for somewhere around seven minutes, then we'll have a short discussion among ourselves, and then turn the discussion open to the floor once again.

So, Doug, I'll turn it over to you.

MR. PAAL: Thank you, Jamie. A few people in this room were probably here from one of the memorable moments on the Brookings stage when a wonderful, now retired, scholar named Jonathan Spence came to speak and offer wisdom on watching U.S.-China relations and China over the centuries of history that he studied. And I think in context of the debate that provoked this meeting today it's useful to look back at one of his early books, called "To Change China". That book was a chronicle of the various missionaries and advocates and generals and merchants who had gone to China, in their own way each hoping to bring change to Christianity, to bring capitalism, to mold China to a different model. And the story really was, you know, you're going to fail, and you have to be modest of your expectations of what you can take to China from overseas.

Fast forward, we're now in the middle of the two meetings in Beijing and their National People's Congress is in the process of obediently producing a change in the constitution to permit the current leader or successors more than two terms in office as state chairman or president of China. And I think this really encapsulates in contemporary terms what was at the core of Jonathan Spence's book, which is China is self-referential, China suffers from the inability to develop a legitimacy for the regime, and therefore there's a constant struggle within the regime to be on top of the system and assert my or my group's or my ethnic group's legitimacy over the others and to be able to call the shots in China. And this is very frustrating to us. I think it's pretty frustrating to the Chinese for more than 2000 years haven't seen a lot of progress in dealing with the question of succession mechanisms in China, even though they seem fantastic, material progress in the day to

day livelihoods or access to education, and most recently in international travel, with really big changes.

Now, starting with that observation, I think -- I'm pretty much sure I'm the oldest person on the panel -- and the virtues of being the oldest person on the panel are few. (Laughter) But one of them is sort of perspective. And I want to introduce some perspective today too because of the current debate about what China is doing, not only within China, but on the spreading footprint it has globally. And that is to recall China's forerunners. When the United States reached the end of its industrialization program, which culminated at the end of World War II, we had predominant manufacturing skills, financial overweight, and tremendously, suddenly, underused capacity that had been built up in the depression and in the war. And that immediately became an outreach by the United States. We had Americans turning up with capital and ideas and construction in East Asia, Southeast Asia, South Asia, and Africa, to various extents. And our capacity to take productivity and new ideas to the world -- Latin America should be included too -- greatly exceed the human talent we had to manage it. We just didn't know what we were doing. And, you know, long story short, the novel, "The Ugly American" is kind of the essence of how we got ourselves into the Southeast Asia war and Indochina War and didn't really know what we were doing when we went in and certainly didn't know much more when we left. But we spent vast blood and treasure in a feckless pursuit in Southeast Asia.

That was our experience and we've gotten better at it. We've got people trained in USAIA and various agencies who can go comfortably into central Africa or Latin America and have an idea of what might work or what might not work and what might be good for American interests there. We were succeeded in this by the Japanese in the 1970s and '80s when Japan reached the end of its industrialization program and had excess capacity. A lot of state guidance, the Ministry of Economic Trade and Industry, then known as METI, was seen as a hidden hand for a lot of these activities by Japanese, especially in Southeast Asia, but elsewhere as well, and very sensitively in the United States, which was seen to being preyed upon by Japanese conglomerates and by the Japanese State in marketing automobiles and steel, just to pick a couple of items that might be in the news recently.

And we watched as the Japanese came to the U.S. in the 1970s and '80s and they really didn't have the talent in their ranks to do the international business or the government business. They had to develop that talent, they had to train people. And in the early days the easy way to deal with that in an American context was to go out and hire lobbying firms and various kinds of consultants. And a whole conspiracy theory emerged by the end of the 1980s. We had reached a point where Japan was behind every bush, somehow manipulating our economy and we were going to be taken over by the Japanese. And even though their system was not inherently inimical to ours we weren't going to adopt an imperial system or try to have a continuing shuttle of non-entity prime ministers. So it wasn't really much of a threat to our system.

Now, the Koreans had an episode in the '90s, and now it's China's turn. And China is bigger, louder, and probably messier than any of its predecessors at reaching the end of its industrialization process, disposing of vast capacity financial and industrial, and is ready to deploy it overseas. Now -- only have limited time here -- we should be much more self-confident as we watch all of this. There are things that we can share. You know, China has created, and the previous administration objected to the creation of the Asian Infrastructure Investment Bank. This was undermining the established international financial institutions that had been set up under the Bretton Woods system. But, lo and behold, the AIIB has turned out to be an improvement on the ADB and the World Bank's internal procedures because they had lived through it and brought their own experience to improving that.

So I think we've got to, as David Shambaugh said earlier, study ruthlessly and empirically what is going on in these situations and not draw great extensive inferences about what this means for ourselves. China has talked in the most recent party congress, the leader talked about (speaking foreign language) for distributing ideas for development to other countries. And many people have taken this to be an effort to export the Chinese systems. Pay attention to the words, they said we're going export it with Chinese characteristics. Who in Nepal, India, Viet Nam, Japan, middle Africa, wants to take on Chinese characteristics? It's inherently not transferrable and I think that this is something that we ought to bear in mind as we go forward, looking at one issue after another as they arise.

Thank you.

MS. HORSLEY: Elizabeth?

MS. KNUP: Great. So Jamie and Cheng, thank you so much for having me. As Jamie said, I spend most of my time living in China and so the last two days in Washington I feel like a sister from another planet, right, coming here and listening to kind of the level of discussion about U.S.-China relations, the content of that discussion. So it's been very helpful for me and I've learned a lot. And I just want to make a few observations, maybe from a different perspective of one sitting inside China. And, also, the Ford Foundation is a prominent American NGO operating in China and there may be some questions that we want to discuss around that.

But I just wanted to make a few observations around this question of engagement. So I think first of all, and I think we all agree, engagement isn't an end in itself. It's actually a tool to achieve other kinds of ends that we may have as a country. So when Nixon visited China in the 1970s he wasn't going simply, you know, to have a period of engagement, there was a strategy of which engagement with China was part, and that strategy had to do with balancing the Soviet Union and probably many other dimensions of U.S. foreign policy. So engagement was a tool in that process. I think this question about whether we should or shouldn't have let China into the WTO, we have to put it in the context of the time. At that time engaging China in the WTO was part of a tool in a bigger strategy, which really was helping get Americans to have access to the market in China. So I think we have to think about engagement not as a good or bad end in itself, but as a tool that we have in our tool box among many tools. So I think that's something that we sort of need to keep in our mind.

And I think one part of engagement has been over the last 30-40 years of helping to introduce ideas around social and economic and political development to a country that had previously been closed. And this is where the Ford Foundation has played a pretty significant role, not necessarily simply to change China with that objective, but rather to introduce new ideas. And I would say at the time, over time, China actually was looking for new ideas. And I think there's a very excellent book, called "Unlikely Partners" by Julian Gewirtz, which I would highly recommend reading, because it puts into context that China was also looking for new ideas and they weren't just

looking at the United States. They were looking at Eastern Europe and they were looking at lots of places to get ideas to help them with their domestic sort of development, social and economic development, and maybe even political development, depending on sort of the time. So I think engagement is a tool for many different kinds of objectives and I think it can still be a useful tool in the kinds of objectives that we might have with China today.

My second comment is that I don't think we can say that engagement failed. I think what we have to look at is that China has changed. So possibly as a successful outcome of engagement China is really much different than it was 30 or 40 years ago. I think everyone understands that and knows that, but I think on a policy level the United States needs to get more clear and more rational about the fact that China is a different country than it was 30 or 40 years ago. It is stronger economically, it has an aspiration in the world that it didn't have 30 or 40 years ago, and that that aspiration in the world is going to bring it into a competition with the United States, which also has its aspirations in the world. And how we manage that competition is a really important thing that we need to think about right now and we need to be having our own sort of long-term strategic way of thinking about how we want to engage with China at this moment of competition. And it is a competition, and many people on the first panel talked about this very eloquently. It is a bit of a competition around cultural norms, it is a competition around how you view the world, and I think we just have to recognize that's a reality and that China is a country that we're not going to be able to disengage from and we're not going to be able to ignore. And they also take a longer-term view of kind of their ambitions in the world and it would behoove us, I think, to start to put together some kind of a comprehensive strategic way of thinking about how we want to engage with China.

The final couple of things I just wanted to say is to think about sort of -- one of the questions that was posed to this panel was what might be some ways and places where an engagement tool might be useful. And we've talked about the AIIB and the belt and road, and China's interlocutors say to me in China often, the first 30 years of our development was about ying jing (?), about bringing in ideas, money, management skills, technical assistance that we needed to develop ourselves domestically. And the next 30 years is going to be about going out. And this is

very important for the Ford Foundation, who is celebrating our 30th anniversary in China this year, is that we were part of helping to bring in these ideas that the Chinese wanted to bring in. Now, China is interested in taking its own experience out. And it believes that it has had a pretty successful development experience story and there is a push and pull. So China does want to push its development model out, but there are many countries that are pulling that want it, that look at China's development and say, wow, I would really like to have that happen in my country and how can I do it.

So I think one of Doug's points is a really important one, which is what about the China experience is exportable and what about it is truly a Chinese characteristic. And it's not going to be exportable. And I think we have a moment to kind of think about that.

And my final point is to simply think about there is an opportunity for the U.S. to work together with China to kind of think about this global norms and standards for how we look at global governance in a way that allows us to influence those towards the norms and standards that we hold dear and that are essential to sort of our democratic governance processes. And it's not going to be the case necessarily that the U.S. is going to 100 percent prevail, but I also feel that China, particularly in the belt and road and AIIB and all of these efforts, my sense is that they're not 100 percent confident yet about how to be a dominant global actor, that they're willing to be engaged with around thinking about what might be some global norms and standards if they are respected as a peer in the process of developing those global norms and standards. So when I say engagement hasn't failed but China has changed, we have to not think about China as a little brother that we are helping to develop, but rather as a peer on the world stage that together we really want to think about what is the best kind of global development model. And how do you think about protecting rights and promoting equity and environmental sustainability when you are working in development in Africa or Latin America or along the belt and road. And I think there is a real opportunity there, and it can't just fall to organizations like the Ford Foundation to do this on our own. We are able to be more successful when it's embedded in a broader sort of American policy or framework or an ability to articulate our vision of what global development might look like. And then I think there is a real opportunity for us to kind of co-create a new set of global governance standards that sort of

frames the area of competition where we will be competing, because I don't think we can say or think that we're not in some kind of a competition with China.

I'll stop there.

MS. HORSLEY: Great. Oriana?

MS. MASTRO: Thank you, Jamie and Cheng, for having me. It's good to be here. And just to clarify before I issue my remarks that these are my own personal views and don't represent those of the U.S. government, Department of Defense, or the United States Air Force.

I was asked to kind of provide some ideas about ways to move forward in the U.S.-China relationship and I fear that -- well, I'm going to try to do that towards the end -- I fear that you're going to be somewhat disappointed because before I do that I want to talk about what I call the two great confusions, two big things that I am confused about that makes it difficult for me to come up with viable options for the United States to maintain its influence at acceptable cost within the region.

The first big confusion I'll talk about is what behaviors are threatening. The second big confusion is what are U.S. strategic objectives vis-a-vis China. I know these are two things we talk about at great length, and a lot of times we also use terms that come from international relations theory, which obviously as a Professor I think is very useful. But I think academics have kind of failed or perhaps have a lot more work to do to provide policy makers with useful frameworks about how to think about these issues.

So the first one about what types of behaviors are threatening. I've heard a lot of panelists talk about China expanding its influence in the political, economic, and military space. My understanding of the initial U.S. policy of engagement was that it was designed to integrate China into the world order such that China would pursue its interests in a peaceful way. If the goal was to deter Chinese blatant use of force, we have succeeded. We haven't had a war with China and it doesn't look like any time soon we're going to have a major conflict with China. I think if we're honest with ourselves there was this implicit assumption in that, not only that by integrating China into the world order they would not directly use force to obtain their goals, but through that process China would come to learn that they are better off with the United States in charge. (Laughter) And

while in this town now -- you've probably read that Ratner Campbell piece in *Foreign Affairs* -- we all generally agree that it was naive to believe that that type of interaction with China was going to lead to liberalization of that society. There are still people that have this kind of implicit assumption, that surely China benefits from the world order and surely they don't want Japan to remilitarize, and so just with a little bit more interaction they'll come to learn that it's better off with someone else in charge.

A big problem of this also has to do with this concept of the U.S.-led world order. There are these ideas of, you know, what China is doing within this order, but this order is actually not comprehensive. A lot of what I see China doing is not directly confronting this order, but instead building other types of relationships or orders in the gaps where that U.S. leadership didn't exist. Would we say that China was supplanting the United States in Central Asia? I wouldn't say completely against my will, but I spent a month with my husband driving around Tajikistan for his birthday along the Afghanistan border, all through Uzbekistan, you know, I didn't see that, you know, the Chinese were there because the United States was missing. The same thing when I was in Africa this year.

So it seems instead of trying to directly challenge the United States what China did is they wanted to increase their influence, political and economic, and they looked to areas where the United States' interests weren't so strong and then they decided to build power in those areas. So I'm not sure how much we can say that China is what you hear a lot, revisionist. Now, the term revisionist is also very confusing. I think it primarily was used to describe when a country relies primarily on military power to achieve its goals. But now we use it not about process but about outcomes. If there's anything that China does that leads to an increase in Chinese influence and a potential reduction of U.S. influence, we consider that revisionist. And I don't know how useful that is. Was the United State a revisionist power when it called for the end of colonialism? Is Great Britain a revisionist because it's currently changing the European Union with its exit? So is it about process or is it about outcome? And I think part of the issue with China is if we want to be fair the view was if China accumulated and exercised power through institutional means then the United States would be okay with that. And when we hear, we talk about OBOR potentially being a threat,

AIIB being a threat, the six economic corridors, China's economic power, and how they are leveraging those for their own influence, we see those as threatening because the bottom line is it's partially about how China does it, but it's also about the outcomes. And what many in the United States see is a reduction of U.S. influence as a result. And that is problematic.

So I don't really like to use the word revisionist as what types of behaviors are threatening, I like to say instead that rising powers, all countries, are trying to accumulate and exercise power. And China is relying for now on political and economic power. I think that's done on purpose to delay U.S. responses. I often say that if China, instead of building OBOR, had decided to try to build their own NATO, you better believe the United States' response would have been a lot clearer. I hear often about OBOR. For example, well, once China builds bases along OBOR, military bases, then we'll know what their intentions are.

Which brings me to my next point, China is not the United States. And we try to assess Chinese intentions and their power based on what the United States would do. If they built these military bases along OBOR then they have a goal of becoming a global power. If they don't, they we're less sure. But China, like many countries, rising countries before it, pursues power in a different way than the current great power. The United States again as an example didn't pursue colonies. It didn't mean the United States wasn't interested in being a great power. And I fundamentally believe that China does not want a global military presence in the way that the United States has it, not only because they don't currently have the capabilities -- I've written extensively about Chinese expeditionary capabilities and how they're improving -- but because a rising power always looks to the great power and they ask themselves, what is the primary source of this country's decline. We like to believe that the United States and Great Britain had a lot of, you know - it was more about values. The United States didn't seek colonies because of values. But another reason was the United States looked to Great Britain and said, this whole empire thing seems to be very costly (laughter), it seems to be dragging Great Britain down. And so the United States didn't want to emulate that. And I think China is looking to a lot of U.S. behavior and thinking the same thing, that they don't want to emulate that either.

So historical analogies I don't think are very useful. People forget -- you know, we

use Great Britain and China a lot and people forget that the end of that story is that the United States overtook Great Britain. Even if it's done peacefully, I think the majority of Americans don't want the end of this story to be that China overtakes the United States.

Also, even though this is also hopefully a bit out of the discussion, I have read recently discussions about, you know, maybe containment, not engaging so much is the way to go. But people also forget that the United States conceded a sphere of influence to the Soviet Union. Can you imagine how that containment strategy would have gone if the U.S. response to the Soviet Union was like it is with China? Basically saying no, you can't have a Soviet Union, you can only have Russia.

And so I think we are in a very unique period in which we have a country that is rising, that's relying for now primarily on economic and political power to do so, which we've never had, in a region that is simultaneously rising, which we've never had, and an international global order that is so institutionalized, which we've also never had. The United States is constrained by institutions and norms. No one is talking about launching a preventive war against China anytime soon. But, guess what, that was the primary option historically for a great power. And by having those institutions we've provided China with a means of accumulating power that does not seem so threatening.

So what does the United States do? Do you always say containment is not the answer? I don't think even deterrence is what the United States wants. I think what the United States wants is to deter and prevent China from using any form of coercion, whether it be economic, political, or military, to achieve its goals and to gain an advantage at the expense of the United States. This is very difficult in terms of a goal and it's even more difficult given the current domestic dynamics in the United States. If you want to ensure that China can't accumulate power at the expense of the United States, this requires a willingness to escalate tensions and risk greater conflict to counter Chinese coercion, even when China is operating in what we call a grey zone, or they're using alternative methods like economic tools. And they also require that the United States bring more to the table in terms of security and economic benefits. The United States wants countries, especially in the region and in the world, the value primarily the security and economic relationship

with the United States over China. But right now the security in many cases can't balance what China is bringing economically. So we have to bring more to the table. And it seems on the economic front this Administration has very little interest in that. So that's problematic.

The United States could build more coalitions instead of doing things bilaterally, maybe having a coalition in the South China Sea, trying to patrol those waters in, you know, a group environment. But great power competition in the end means every country is important. And just having our allies support us is not enough. It might also require the United States to get closer to a lot of countries that have unsavory domestic practices while simultaneously trying to maintain our norms and values, which is difficult.

So I think the bottom line is until in this country we have an honest debate about what type of behaviors China can engage in that even though they lead to a reduction of influence, the United States is not going to try to counter. And what types of objectives in this very unique environment are reasonable and that we could achieve at an acceptable cost. It's very difficult to try to figure out what should be the nature of cooperation, what should be the nature of engagement, and what U.S. policy in the broader region should be.

So I'll conclude there.

MS. HORSLEY: Thank you very much. So these are all very thoughtful comments that sort of brought a new perspective to the consideration of the U.S.-China relationship and what these concerns that have been emerging recently, where it really seems like it's almost, as Bruce Jones put it, a paranoia about what China is up to, which may, as has also been said, more reflect our own insecurity and uncertainty these days as it would the realities.

I'd like to push you all a little bit more too because this is all about responses. And a lot of the responses are on a very general plane. We heard a lot this morning particularly about how the U.S. has to get its own house in order and we need to be spending more money on education, et cetera, et cetera, which seems like this is going to be very hard to and where are we going to get the money given that we've got these looming debt growing now and an Administration that seems more interested in cutting rather than spending in those areas, in addition to changing attitudes toward China.

But I'd like to start maybe in the order in which you spoke, with you first, Doug, thinking a little bit more along the lines of what David did this morning, thinking about some specific things that we could be sitting down and talking to China about, ways that we would like to see them change their behavior or ways that we ought to be adjusting ours to address specific concerns in the relationship.

MR. PAAR: Well, it's a very broad spectrum of possibilities. AIIB and belt and road and (inaudible) I think the U.S. should have worked hard to find a way to embrace. We're not road builders anymore. And if you've been on Amtrak you know that for sure. (Laughter) And our airports are looking pretty shabby compared to the '60s. But we still are supreme in finance, creative finance, things like that. Bringing our financial capacity to what has been a big challenge for the Chinese and their partners in each of the BRI initiatives, such as they are at this point, the U.S. I think can bring a lot of high tech services and high tech financial services to this kind of -- and we'd be playing from a position of strength on fundamental matters that count and could bring stability to some places where we've not made a good investment in the past, such as Central Asia, where we have an abiding concern of unemployed Muslim youth and other problems that could fester up and bite us again, as it happened from Afghanistan.

In managing regional crises I think we've been over estimating China's ability to change the equilibrium and underestimating our ability to maintain a balance in the region. Room for maneuver for the various states who want to more gather around an American umbrella of international order, which tends to be less costly in military terms for small countries. Singapore is a great example. They depend on the world being calm and legal and orderly. And other countries all share this to some degree. And they would much rather have that than to have open competition with China. But China is just not going to be appealing to these countries as a source of protection, legal inspiration. And so the added measure of American involvement, whether it's material, physical, military, conceptual, really is not a big sweat for us. We should be able to do this pretty effectively because the makings are there at each of these East Asian states where the action is going to be more intense than farther afield. And farther afield, well, there's a lot more to be said as well.

China right now is doing a lot in Africa. I was recently with a study group that we went to the UAE and saw the platform. China is taking these massive container ships and offloading them in the UAE and then loading them onto smaller ships which are going to the smaller African ports. And they're doing a tremendous amount of really interesting stuff that's very welcomed. For jobs, Ethiopia is a great example. Strangely enough, Ethiopia has got this tremendously modernized economy compared to where it was a decade ago with a lot of Chinese help. And yet the Chinese have not made themselves particularly popular there. And, again, going back to my lessons earlier, one of the things we learned is the more foreign aid we gave people the less the grateful they were. And that just comes with the territory. And we ought to not only be able to recognize it but to exploit it.

MS. HORSLEY: So, Elizabeth, one thing that Doug talked about, U.S. companies get more involved in AIIB and projects, et cetera. And it reminds me of your idea too of trying to work together with China on some of these -- their global initiatives. And isn't that an opportunity. One of the big concerns we've had about BRI and AIIB was that China would launch a race to the bottom and not care about environment and governance norms, et cetera, when in fact we've seen the opposite. And doesn't getting involved with China overseas in these areas too give us an opportunity to work on some of those issues about which we've been concerned?

MS. KNUP: So, yes. And so building on both your question and the recent comments, so I think sort of some of the work that the Ford Foundation is looking at is looking at as China goes abroad as an investor, as a foreign aid deliverer, et cetera, how is that understood and how does that happen on the ground and in the countries outside of China. And this has to do with corporate social responsibility, it has to do with labor norms, it has to do with sustainability, environmental issues. And so is there a way that the United States can engage with China in those other countries to help to raise the standard around investment and around the delivery of foreign aid in a way that's beneficial for the communities where that aid is going. And then is there an opportunity for if that changes behavior of Chinese entities on the ground in other countries, does that behavior then come back in to China and change behavior of companies, et cetera, inside China along these same lines of labor standards, sustainability issues, how do you sort of think about

workers, how do you think about the environment, et cetera. This is kind of a theory of change that we have posited and are interested in seeing if this is something that is a viable way of engagement with China. The jury is out. We haven't done very much of it. But I think you can see that lots of Chinese companies in particular and the Chinese government has learned quickly that by not engaging communities on the ground they can have a great deal of failure in what they're trying to achieve. And so is there a way that we can take our experience and share that and learn together about better ways of engaging in development.

And I'll just say one or two more things. So another interesting approach is to look at where the United States and China together can work in a third country. And we have funded a little bit of work on this on the African Continent where there are areas of instability on the African Continent, strategic security risks there where both the United States and China have interests in preserving the peace and stability. Their interests come from different places but they are both interested in the same outcome. And so is there a way to work together and collaboratively to achieve better stability and peace and security in this instance in various regions on the African Continent? But there are other -- the Middle East could be another place to try to think about do we have strategic interests that are shared that would give us a framework for collaboration and working together to try to identify solutions. I mean I'm putting these out as sort of pie in the sky possibilities, but I do think that there might be some opportunities there.

MS. HORSLEY: Great, okay. Oriana?

MS. MASTRO: Well, that's a good segue because I focus mainly on military and security issues. And so I have a slightly maybe more pessimistic view about some of these areas that we can cooperate in.

The first is, let me just say about cooperation. I think there has been this general idea, maybe not so much now, that we could cooperate with China on these less contentious issues. We could engage in exercises, on humanitarian aid, disaster relief. And this type of cooperation would build good will and then help us in the military and security sphere resolve some of the more contentious issues, or at least manage those issues, like South China Sea, China Sea, Taiwan. In my view that's not really how negotiations with China work. You know, that you build good will now

and it will pay off later. And so I think in general our rule of cooperation has to be does it contribute to U.S. objectives on this issue now. And if the answer is yes, then including China is a good idea. If the answer is no, then including China is not such a good idea. And I would just add to a bit of my skepticism about these calls. I often say the United States calls for China to be often more involved in the security issues around the world, in the Middle East and Africa, but the day that China does become more involved I think is the day we'll regret that we asked them to be there for a number of reasons.

The first is that having the same interest is not enough. China and the United States might have different priorities and also different preferences about the tactics that they would like to employ to actually achieve their goals. That could lead to a lot of problems.

The second is even though China has -- and I could go on and on about all the advancements the Chinese military have made in the past 20 years and how they do present a real credible threat to the U.S. military in the Pacific -- they still have a lot of issues with capability and professionalism within their force. The last I heard, and this was just with an exchange with a Chinese officer, you know, they don't have a solid legal framework within their military of how to deal with military officers who, you know, not just violate orders but if you're stationed somewhere and you engage in activities you shouldn't be engaging in, that you're punished, that you're tried, this type of thing. You have a country that hasn't fought a war in a long time, but also doesn't have a lot of this overseas experience. The military is professionalizing, but a lot of times, in my experience with mil to mils with the Chinese is senior officers don't even have, you know, a sixth grade education and a majority of them, their time in the United States was the first time they'd ever left the country besides a handful that had also done some training in Russia or elsewhere. And so the United States doesn't always get it right, you know. The United States has a lot of issues when it engages in stabilization and other types of operations around the world. But in some cases I think adding the Chinese into that mix might make it even harder for the United States to achieve its goals.

And along those lines I would just say on the sort of idea -- some people brought up Ethiopia -- I am a bit more optimistic about the United States' ability to compete kind of the hearts

and minds competition on the global stage. We know Secretary Tillerson is on his way to I think Ethiopia and Djibouti. I was in Djibouti in December and one of the things that really stuck out to me was, again, this type of resentment that the Chinese hadn't learned that they hire zero Djiboutians onto their base and they contribute nothing into the economy while the United States' base hires a lot of locals and they also input I think \$160 million every year. And so we hear a lot of frustrations in the United States like China doesn't care who they do business with, they don't care how they do it, you know, maybe the United States needs to be more competitive. Another one is about the strategic narrative, China is so good at having one message and we're not so good in the United States.

But I don't think we should try to be more like China. I think the strength in the United States' system is the norms and values that maybe the United States doesn't always live up to, but tries. And this provides a vision of why the United States as a leader is better than China as a leader. One of the main differences I see is that China prefers weaker partners and the United States prefers its partners to be strong. And so I think we need to do a better job, not so much countering directly what China is doing, but thinking more about what are the principles that led to this U.S.-led world order and are we upholding them. In the South China Sea are we just protecting our friends and allies or are we really protecting freedom of navigation. And sometimes those two things are not the same thing. And so as long as we think more about what we think U.S. leadership actually should look like and try to adhere to those standards as much as possible, I think we have a better shot.

MS. HORSLEY: Great. Well, I have to say, one area I wish we could emulate China was Amtrak. (Laughter) And since Doug raised it, I just wanted to note that one reason why one of our panelists, Steve Orlins, is not here today is because of the snow up in the Northeast and the cancelled trains and planes and he couldn't make it down here.

So, anyway, it's time to open it up to the floor. I'm sorry, we only have 15 minutes left, so I'll do what my colleague had done earlier, we'll do 3 questions at a time. So we'll start with the lady back there with the hand up with the glasses.

QUESTIONER: Thank you. This is a really great panel. My name is Shirinian from

CGTN. I just have a question about potential military cooperation. I know at the beginning Congressman Larsen said we should have more cooperation with China PLA exercise, but I think Professor Mastro made a very interesting point that including China on military training should be good for the U.S. at the moment. I'm just curious, what are the criteria to understand what is good at the moment instead of just thinking about the future?

Thank you.

MS. HORSLEY: Okay. Second question. So back there in the middle. The man sitting with the -- yeah.

MR. WOLFISH: Thank you. Jonathan Wolfish with Legislative Strategies. Two-part question. Should this free and open Indo-Pacific strategy that's being brought back up by U.S. military/U.S. politicians be viewed as a response to Chinese actions in the Asia Pacific region, and can it be successful if it doesn't have the economic components that being a part of the TPP would have brought?

MS. HORSLEY: Two-part. And then we'll get the young woman right behind you with the hand up. Right by you.

QUESTIONER: (Inaudible) with China Radio International. And this question goes to President Paal please. The Chinese government recently released a series of policies on Taiwan, which is basically I think just to give the equal treatment to investments and also tourism, medication from Taiwan. So compared with your time in Taiwan, how is the Chinese policy toward Taiwan different these days and how do you see the future of that. Is the China-Taiwan issue still relevant in China-U.S. relations today?

MS. HORSLEY: Okay, thank you. Okay. So do you want to start off?

MS. MASTRO: Sure. On the question of military cooperation I should have also specified that there is one contingency that I think will be useful for China to be involved in militarily, and that is the North Korea contingency. So I've written about this extensively in the January/February issue of *Foreign Affairs*, that I think actually Chinese military presence in that one case would be beneficial for the United States.

But broader military exercises, it's all about what the purpose is. If you think that

that type of interaction is going to lead to more beneficial views between the two sides, I mean I worked as a translator for one of these and sat next to a Chinese officer, which over hors d'oeuvres, he turned to me and said, you know we're all willing to die for our country, right. I was like, well, you might have to if you keep on acting like this. But, you know, the point is that if you're trying to build good will I don't think it does a great job, but if you want to do it primarily for deterrence purposes -- and this is from a U.S. perspective -- show China, you know, maybe that the United States military is stronger than it thinks, and also to get information about the other side so you can reduce the likelihood of miscalculation. You get information about what their positions are, why they're doing certain things, because there's still a lot of issues there.

So then just on the Indo-Pacific, my understanding is that this is a response to the rise of China. I don't think that's the official position, but I think it's pretty obvious. Can it be successful? So it's been administration after administration I think that looks primarily to India as like this silver bullet to resolve the problems with China. And I get so much flack for this at home because my husband is an Indian defense expert, but, man, you know, if you think that you're going to build up that Indian military to even be able to balance China remotely, you have more work to do than like building up Japan after World War II. (Laughter) I mean the amount of money and effort that has to go into that. And that's only if the Indians like allow it because then they have -- I mean when I lived in India the bureaucratic issues are just so immense. So if that's the way the United States is going, of like oh well we can't, with all the power in the -- you know, greatest power, we can't resolve this China issue, let's hope that India can. I think this administration will find, like previous administrations, it's not going to turn out very well.

MS. HORSLEY: Doug, do you have any additional thoughts?

MR. PAAL: On all three. On the military training issue, in 2015 Xi Jinping announced a significant restructuring of the Chinese military comparable but probably much more extensive than the Goldwater-Nichols rebuilding of the U.S. military after the Viet Nam War, and likely to take as much as the 20 years that Goldwater and Nichols took to get involved. Right now is a great time to interact with Chinese younger officers. They've been promoted, they're better educated than the ones in their earlier generation, but they're really not cosmopolitan. It's a missing

element. My interactions with them in the last two years have been eye opening. Now, you don't go in with expectations -- to go back to where I started -- to change China. But knowing the other side and knowing what you're up against I think can change your perspectives considerably. But I'll come to that in a minute when we talk about Taiwan.

On the free and open Indo-Pacific, I've been told now that they're supposed to drop the "free and open". They've decided that was too hard to maintain as a policy. (Laughter) This is a feeble attempt to try to find a strategy to fit the national security strategy and national defense strategy report requirements. Now, I don't want to build up national security strategies and national defense strategies as the be all end all. They're congressionally required. The best way to look at those reports is through the rear view mirror right after they come out because no one will go back to them and look at them again except foreign reports and scholars. They really have very little relevance to anything the governments actually do.

Now, on Taiwan, to go back to my point about the military and Xi Jinping's new activism in the five years he's been in. It started a little before him, but he has certainly grabbed onto China going out and not being inward, not hiding and biding, as the phrase had under Deng Xiaoping's leadership. So China is more active across the board. He's had a stillborn start in 2013. I think he tried again in the post 19th party congress period to launch a more activist Chinese diplomacy with his neighbors. It might look like smile diplomacy in most cases, but not always. We've just seen in the last month a reorganization of the foreign policy bureaucracy in China to try to make it more coherent and to put each ambassador in a greater role of leadership in the country of concern to the Chinese diplomatic establishment, together with this new military capability. We've got all these younger officers now put in charge of newly shaped regional security belts around China with more resources and more equipment than they've ever had before. And if you're sitting in Korea and you see them coming across your air defense identification zone you think China is putting pressure on Korea. Or they go into the Senkaku Islands or past Okinawa and they say they're putting pressure on Japan. Or in Taiwan's case, they see the H-6 bombers circumnavigating around China and submarines over and over again. They say, oh, they're putting more pressure on Taiwan. For me they're putting pressure on everybody because they're changing internally

dramatically and it's going to have this all azimuth effect on their neighbors. And that should be viewed in that way.

Now, part of that, what you referred to as the 31 measures that have been announced by the Taiwan Affairs Office to make working on the mainland and investing on the mainland more attractive to Taiwanese. This is a fairly consistent thing going back a dozen years to the efforts by the PRC to remedy their wholeheartedly unproductive lecturing of Taiwanese people to try to win them over, which led to higher and higher votes for opponents of reunification with China. They tried to turn that around by developing constituencies on the island, doctors, professors, students, young kids that need jobs, and tried to create those constituencies. And I think this 31 new measures is very consistent with that effort to try to induce people on Taiwan to separate their personal relationship with the mainland from this Taiwan identity about separation from the mainland and to see if they can erode that. It's going to take years to see what kind of results they're going to have and Taiwan in the last couple of days promised to issue a strategy for how they're going to deal with it, but we haven't seen that yet.

MS. HORSLEY: Okay. Elizabeth, did you have anything?

MS. KNUP: No.

MS. HORSLEY: Okay. Okay. Next questions? Yes, the man back in there.

QUESTIONER: Okay. Thank you. Vincent from Harvard Kennedy School. I'm a visiting fellow there. So behind this debate I find this paradoxical logic, that is when U.S. wants China to provide more public goods on the one hand, but on the other hand, when China puts forth some initiatives, including the belt and road initiative, Americans view China as a threat and undermining U.S. established international order. So how should the both sides to find a balance between these two conflicting ideas?

Thank you.

MS. HORSLEY: Great question. Again, over here, another question.

QUESTIONER: Yes, (inaudible) from *South China Morning Post* of Hong Kong. I have a question about Gary Cohn's resignation. I wonder if his leaving the White House is bad news for China as China could lose a strong voice in the White House as opposing to impose tariffs

(inaudible). And what would the White House trade policy go in the future as an (inaudible) regard as imminent.

Thanks.

MS. HORSLEY: Okay. So last question. We're running out time. Anymore? Okay, back there. Yeah, with the glasses. Yeah, good.

QUESTIONER: Corey Besbee, Sixth Republic, Korea Weekly Brief. I wanted to ask, as was mentioned in the previous panel, China seems to see discursive power as an important arena for competition. To what extent should the United States also be giving attention to that, or putting resources toward such things as what was the USIA and, of course, Voice of America?

Thank you.

MS. HORSLEY: Thank you very much. Okay. So, should we start -- do you want to start this off, Elizabeth?

MS. KNUP: Sure. So on the question about this call for China to be a more global provider of public goods versus the sort of once China feels it steps out onto that stage we view it as a threat. I think the challenge with sort of framing the question that way is that it's too binary, it's too black and white. And I think that you can have at the same time both a desire for China to play a bigger role in the delivery of global public goods and you can also try to understand how China's behavior on the world stage may or may not be a threat to the United States. And I don't think they're binary, I think they can both be happening at the same time. So we can see China's engagement in the United Nations and providing peacekeeping forces, as a deliverer of public goods, that I don't think is -- well, maybe I'm wrong. You can let me know if we see that as a threat or not. (Laughter) But so I just think that that's not the correct way to sort of think about the question. I think you can have both things happening at the same time. And I personally think that finding ways to engage with China to help construct some global governance norms, that both the United States and China can agree to as kind of the rules of engagement, I think that's a really important opportunity that we have right now because China is not going to diminish on the world stage it's only going to grow. And if we can't find a way to together figure out what those global governance norms are going to be, then our competition doesn't have a framework in which we kind

of all agree to the rules of engagement. And I think that's the interesting moment that we're in right now, is that we're evolving towards that and we don't know what that's going to look like. And it's important I think for the United States to have a strong view from our own point of view and our own interests what that global norm should look like and then try to build that together with China.

And I think that sort of gets to this question of discourse war or discursive power, where I do think the United States -- we've been able to exist in the world and that's our discourse, right, a lot of -- we have USAID and we have Radio Free Asia, et cetera, but really it's been the power of our values and our ideals and our governance system that has spoken for itself. And now I think we need to re-embrace those values and become a leader for those values on the world stage. And whether that means -- you know, I don't know that that means we need institutions for delivering that message, but rather through our own behavior and our own engagement in the world and our own adherence to our own values. Maybe that's idealistic, but I would hope that that would be a significant way to engage in a discourse war or competition with China.

MS. HORSLEY: That's great. So we're actually out of time.

MS. KNUP: Oh, sorry.

MS. HORSLEY: But do you guys have very last comments, like a minute or less, each of you? First, Oriana.

MS. MASTRO: Sure. I'll just very quickly respond to the question about the public goods. I can understand China's confusion, but the difference is what you mean by public goods. My understanding is that China is actually not providing public goods with the OBOR. It's part of the striving for achievement strategy, which is leveraging your economic power to gain, you know, more influence in other areas. So, you look at their military presence, it's the same type of thing. They don't engage in a lot of like medical missions. Even when they did the Gulf of Aden deployment they refused to engage in the three other task forces directly with other countries. It was about exercising their own capabilities and the benefits to China.

So I think what the United States wants is for China to engage in some activities that are beneficial for other countries equally, if not more so, than they are for China. And that, at least from the U.S. perspective, which is probably different from the Chinese perspective, is what makes a

global leader.

MS. HORSLEY: Great. Doug?

MR. PAAL: Well, I'd strike a note of difference with Oriana on the Chinese activities in the Gulf of Aden. They have been all but members of the coalition in dealing with the task force 150. They formally keep separate, and yet we've watched them deploy squadron after squadron and see the officers in command of the squadrons rapidly appointed to much higher positions. It's been an opportunity for them to get internationalized and we should be engaging with them more to try to influence the people who are moving up rapidly in the Chinese navy. China didn't have a navy since about 1400, so it's kind of a critical moment when you can involve yourself.

And on Mr. Lu's question about Gary Cohn, I think the loss of the thoughts and influence of Gary Cohn is a loss for the United States principally. China may also suffer. (Laughter)

MS. HORSLEY: Okay. Well, thank you all. I hope you've obtained some fresh perspectives and some new insights from this, and you all continue in the goal of thinking about, dispassionately, what are our interests, how can we best meet the challenges but also take advantage of the opportunities to cooperate with China going forward.

And thank you again very much. I'm sure we'll see you again at a future program here at Brookings. Thank you. (Applause)

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