

**“CHINA’S TRANSITION AT A TURNING POINT:
CRISES, CHALLENGES, AND OPPORTUNITIES”**

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“DOES CHINA HAVE A MORE CONFIDENT FOREIGN POLICY?”

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“U.S./CHINA RELATIONS”

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“CHINA’S SECURITY POLICY IN ASIA”

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“CHINA’S FOREIGN POLICY ADJUSTMENT: POSITIVE TRENDS
AND POTENTIAL PITFALLS”

CONCLUDING REMARKS:
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ELIZABETH ECONOMY: Okay. I would like to welcome all of you – okay, in an effort to keep us on schedule, we need to get started, especially since I’m catching a plane. Okay, so, I would like to welcome all of you to our fourth and final panel, “Does China Have a More Confident Foreign Policy?”

I think that there has been a lot of acknowledgement publicly in the press and even today a little bit, that over the past five to ten years, China has raised its profile on the international stage rather significantly. Everything from its actions during the Asian financial crisis to its successful bid for the 2008 Olympics, its accession to the WTO, its hosting of APEC in 2001, and certainly now, its efforts to resolve North Korean conflict have all brought China front and center in a way that it really has never been before. But less thought, I think, has been given to whether this is a strategy or actually simply a confluence of fortuitous individual policy initiatives, and what either one of these choices would mean for Chinese foreign policy overall; and certainly what does it mean for the United States as we attempt to secure Chinese support on a range of issues – Iraq, North Korea, the war on terror, and more – and at the same time, try to negotiate all of the thorny issues that have plagued our bilateral issue: human rights, Tibet, trade, and Taiwan. Fortunately, to try to figure this all out, we have a panel of, dare I say, extremely distinguished scholars.

To my immediate left, of course, we have Ken Lieberthal, who is widely recognized as one of the country’s leading scholars and experts on China. He is published widely on both Chinese domestic and foreign policy, and he is now the William Davidson Professor Business Administration and Professor of Political Science at the University of Michigan, although many of you here probably know him best from his service during the Clinton Administration – Tom, wherever you are, this is the one really acknowledged Democrat from that previous panel – (laughter) – and as special assistant to the president for national security affairs and senior director for Asia on the National Security Council.

Second to speak will be Michael Swaine. He is senior associate and co-director of The China Program here at Carnegie. He is acknowledged as one of the top analysts of Chinese military and I think broader Asian security policy. He spent more than a decade at RAND, during which he produced more than 10 monographs on issues related to Asian security, and while he was at Rand, his outstanding contribution was recognized as – he was the first appointed RAND Center for Asia-Pacific Policy Chair in Northeast Asian Security.

And last but, as was said earlier, certainly not least, Professor Tom Christensen. He is professor of politics and international affairs at Princeton University, the author of a highly acclaimed book on Sino-American relations during the late 1940s and 1950s, and

way, way too many articles for me to cite. And he has also become a top adviser to this administration on its China policy, and in 2002 was awarded the State Department's Distinguished Public Service Award. (Laughter.)

THOMAS CHRISTENSEN: I am?

MS. ECONOMY: That – that –

MR. CHRISTENSEN: I'm a –

MS. ECONOMY: Didn't you let – I think it's that because that's what I hear on the street, Tom. (Laughter.) Well, I'm not really sure it's a compliment. No, but actually, given the state of China affairs – (laughter) – no, given the state of China affairs, it is a compliment. Okay. I declare myself, so –

MR. LIEBERTHAL: Moving right along.

MS. ECONOMY: So, here we go. Exactly, moving right along.

(Cross talk, laughter.)

MS. ECONOMY: Diplomatic skills are coming to the fore. (Chuckles.) All right. All right, Ken, you're up first. Ken is going to talk about U.S.-China relations.

MR. LIBERTHAL: I feel Tom ought to do that now. (Laughter.) Thank you, Liz. Is this on? Is this on? Yes, it is. It is on, okay. Thank you. It's a pleasure to be here and participating in this panel. I take it my baseline for U.S.-China relations, what Liz –

MS. ECONOMY: I don't think you are on. Just take mine. There you go.

MR. LIEBERTHAL: I feel Tom ought to do that now. (Laughter.) Thank you, Liz. It's a pleasure to be here and participating in this panel. I take as a baseline for my remarks what Liz just suggested, which is that the U.S.-China relationship is, by the accounts of the top officials on both sides, in the best condition it has been in modern history. Not long ago, Jim Kelly, while up on the Hill, characterized it as the best state it has been in for 30 years, and the Chinese gurgled supporting noises.

We have cooperated quite extensively in counterterrorism, both at the United Nations and vis-à-vis Pakistan, in particular in the wake of 9/11. We now even have an FBI office in Beijing. We have cooperated very extensively on dealing with the North Korean nuclear issue. The U.S. has expressed repeatedly a desire for a frank and cooperative relationship with China. That has translated into wide-ranging strategic cooperation with China. At the same time, the Administration has had no hesitation in increasing arms sales to Taiwan, imposing sanctions on China for proliferation activities, and so forth, so this is a differentiated policy, but one that recognizes China's importance

strategically to the United States, and therefore one that the Chinese, frankly, have found accommodating.

And the Chinese themselves, I think, have stepped up to the plate on the relationship, in no small part because they have a very deep commitment to devoting the maximum attention and resources they can devote to rapid domestic economic development, and they really do not want complications in the international arena that would make it more difficult to focus on that core issue. And they have become less petulantly moralistic and more openly supportive of a pragmatic calculation of national interest, and in pursuing their national interest, think that having a constructive, frank relationship with the United States is at the top of the priority list.

So it wasn't surprising to me two days ago, when Li Zhaoxing was in town, that he saw the president, saw the vice president, saw the national security adviser, saw the secretary of State, and both sides at the end of those meetings said that these were just wonderful meetings and things are going swimmingly. Both sides, in other words, have the kind of relationship they would like to have, and both sides are anxious to continue this kind of relationship. That's an experience I wish I had encountered when I was in government. (Laughter.)

Having said that, I think the relationship may be headed for some problems. I want to devote the rest of my remarks to commenting on those problems because I think we have all gotten fairly comfortable with a fairly comfortable U.S.-China relationship over the last few years.

The first issue to my mind is the potential winding down of an absolutely extraordinary situation that we have seen, especially since 9/11, where President Bush has been able to pursue a China policy without encountering much in the way of domestic political crosscurrents over China policy. Ever since 1989, those crosscurrents have dominated policymaking toward China – been what policymakers spend most of their time wrestling with – and since 9/11, that has not been true. I suspect it has not been true in part because, if you think of kind of the major activists on this – I'm using shorthand so please don't get upset by my shorthand – human rights activists have had a problem in focusing on China. I mean, who can be a greater violator of human rights than terrorists who maximize the number of innocent people they can kill in order to frighten to death the maximum number of additional innocent people? You know, with that out there as the alternative, China looms smaller.

For the people who focus on fair trade – which is a kind of euphemism for protectionism – China joined the WTO in December of 1991 with very, very wide-ranging commitments to open its economy. I think even the most ardent advocates of fair trade said, essentially, now we have got to wait and see whether they do this, so that pressure backed off quite a bit.

And for people who generally were very critical of China simply because they are very conservative and China by its very nature rankled them, these people have been very

unwilling to weaken a very conservative president. And so, essentially, they liked what President Bush was doing so much everywhere else, they weren't prepared to take him on on China policy.

So, for a variety of reasons, you have had the domestic debate over China policy really highly attenuated over the last two years. That is now beginning to unravel, and my concern is, when it begins to unravel, the unraveling can accelerate quite easily. Clearly, the cutting edge of that is the economics and trade side of it, and here we have a problem of a surplus and a deficit. The surplus is China's trade surplus with the United States, now well over \$100 billion, more than the surplus of any country that trades with the United States. And it is combined with a deficit.

The deficit is in American jobs since President Bush took office. We are now down 2.7 million jobs. I don't know of anyone who thinks that we will actually get back to where, at the time of the next election, the president can say, "There are more Americans employed now than there were when I took office." He therefore will be the first president since Herbert Hoover to have lost jobs during a four-year administration. There is, not surprisingly, a lot of anxiety over how to diffuse the blame for losing those jobs. And for the reasons that were discussed partly in the last panel, China is looming large on the horizon not so much in President Bush's explanation, but in explanations that are being made in state capitals, and up on the Hill, and in trade associations, and so forth in Washington. I think this could become a major problem, blaming both China's renminbi peg to the dollar and also China's keeping markets closed; and the perception here is, China is keeping markets closed, which costs Americans jobs.

I think we're going to find several things take place as we look to the future. One, the news on WTO implementation last year –there end-of-year reviews of WTO implementation, partly by our government, partly by AmCham in Beijing, and others. At the end of the first year, the news was A-minus/B-plus: A for effort, B for changes on the ground, average A-minus/B-plus. Next year will really tell us something because the first year was mostly tariff reductions, adjusting laws so they conform to WTO, all kinds of things that you could do in Beijing, not having to change a great deal in the country. Second year, you have to make localities all over China step up to the plate. As I have talked to people who are writing these, I think you're going to find the reviews coming out in the next few months will be distinctly downside. There are obvious obligations that China has had that they have not implemented, and there is a sense that there is some draining of the ability to implement China's WTO obligations. So, that's going to feed into the debate that is brewing in Washington about whether China is meeting its obligations to open its markets.

Secondly, we have counted in the past on the business community being relatively united as a force for engaging China fully, but now you're finding the NAM, which is mostly small and medium-sized businesses, is leading the charge against, and a lot of small and medium-sized businesses are turning distinctly negative on, the competitive threat that they believe China is posing. Large multinationals are as enthusiastic as ever, but my point is you now have a divided business community rather than a united business

community. Labor, in the meantime, remains very negative and so, I think that's going to enhance what is an increasingly tough political situation that is developing in Washington.

I think that once you get China being open for real criticism here, then the chances that the advocacy groups, whether it be human rights groups or whatever – and there are a lot of them out there that used to take China as the poster child of their discontent – will again begin to gravitate back to China. It then becomes more available, if you will, and easier to get some momentum going. I think, frankly, China is looking at this and will initially be quite responsive to American concerns. When Wen Jiabao comes in early December, my guess is he will come with an open checkbook; we will see him purchase Boeing aircraft, we will see him announce major grain purchase deals, and things like that.

But this is a new leadership in China. They are still trying to build domestic support. I think because it's trying to build domestic support, it is going to have trouble really ramming through some of the more controversial aspects of WTO obligations at this point, and at some point, it's going to feel if the situation continues to build in terms of trade-distorting legislation in the United States and pressure for renminbi revaluation and that kind of thing, I think at some point the new leadership is going to say we have got to push back very hard, and we have got to push back hard both to show our domestic constituencies that we aren't simply a punching bag for American interests on the Hill and that kind of thing, and also to shock the U.S. out of thinking that America can do whatever we want to do and not face real resistance on that side; to push us into a more sober approach, if you will.

So my basic point is not to say everything is going to go to hell in a hand basket, but it is to say that I think we have had an unusual period of ease of decision-making on China over the last two years. And I think, as I read the tea leaves, that situation is going to become much more complicated, not over the coming year, but over the coming couple of months. And then we're well into an election year, and you have to see how President Bush and others are going to handle a situation where they want a good relationship, but also have other concerns that are crowding their agenda.

The second broad issue, where there is good cooperation now but it could become a real problem, is Korea. To date, I would argue the Chinese, in their activism to get talks going and sustain talks, have actually played an absolutely critical role to making President Bush's approach to North Korea viable as a policy. Without what China has done, we would be in much more serious trouble already; so would everyone else. But our cooperation on this and the fact that we have convened six-party talks should not lead us into forgetting that some extremely big and extremely difficult issues remain to be addressed and resolved out there. Let me give you four just to highlight this.

One, are we confident that the U.S. can take "yes" for an answer? If North Korea puts a package on the table that says we give up nuclear weapons, we will allow a certain level of verification, a package, that they will sketch out in broad terms, we need some

things from you in normalization of diplomatic relations, some increased aid, drop us from the terrorism list so we can go to international financial institutions – what happens if the Chinese think that that is a very reasonable proposition and we think it is absolutely unacceptable because any deal with the current North Korean government is a bad deal by definition because they will cheat? Then what happens to the dynamics of the relationship over North Korea?

Secondly, can China take “no” from North Korea? Suppose it becomes clear that North Korea will not give up its nuclear weapons. How far is China prepared to go to change that outcome?

Thirdly, if that should occur, what will be the dynamics of U.S.-South Korean-Chinese relations? South Korea and China have become quite close. It’s hard to see South Korea countenancing the use of force against North Korea. You have to really ask what the dynamics of those three will be.

And then, fourth, almost certainly, if history is any guide, even a successful negotiation with North Korea is going to take a year or more to reach a conclusion. It’s going to be full of extremely unsatisfactory developments as we go through, just by the way the North Koreans handle these things. Will the U.S. and China be able to manage a negotiation that goes for a year, during which the North Koreans repeatedly go back on their word, do things that are simply outlandish? My guess is China will be able to manage it; but I don’t see the champion of the negotiation in the White House who will be able to manage it there.

So when we look at U.S.-China cooperation over North Korea, I think we ought to keep in mind both that it is notable today, but also we will encounter some very, very tough challenges in the future. And I think this issue has the potential to reshape strategic and political relations throughout Northeast Asia, and might lead, depending upon how it comes out, China in a very much stronger or in a very much weaker position in the region. So this is a big issue still out there.

Third, let me just mention briefly cross-Strait relations, which always have to be mentioned in U.S.-China relations -- I in fact think, in the short term, this is not a serious problem. Taiwan recognizes that the U.S. really doesn’t want an escalation of tension across the Strait now. China has learned that if they behave in an ogre-ish fashion before a Taiwan election, it backfires on them. I think people in Taiwan are acting basically in predictable fashion. If anyone wants to ask me a question, I will tell you what I was going to say about that if I had more time.

I do think Taiwan remains a longer-term danger – because if you look at how Chinese military doctrine has evolved and regarding Taiwan, the implications of it are that if Taiwan wants to maintain deterrence, it has to have the capacity on its own, or basically on its own, to handle a Chinese attack for two weeks before the cavalry shows up from Hawaii and elsewhere. And it’s not clear whether Taiwan is prepared to do that,

and I think the chances of U.S.-Taiwan disagreement over what is necessary to do that is quite palpable.

So, in sum, it seems to me China's new leaders, and U.S.-China relations as a whole, face challenges in navigating an increasingly difficult international environment and potentially increasingly contentious domestic politics of China policy in Washington. To date, frankly, I think China's new administration has gotten off to a good start on all of this, it's managing it well. But frankly, especially because I don't think the personal political tensions over the succession have fully sorted themselves out in China, I think it's still too early to tell how all these issues are going to sort themselves out over the coming year. Thank you.

MS. ECONOMY: Thanks, Ken. Now, Michael?

MR. SWAINE: Thank you, Liz. Well, as you can see on the agenda, my area is to speak about China's relations with Asia, and particularly the security aspects of them. And here, I think what we see happening is really a – I mean, this is the area where you have seen, in my view, the greatest degree of activism and the greatest degree of success in Chinese foreign policy.

Is Chinese foreign policy in Asia confident? Well, I certainly think – I mean, that's a better word than mature, which is often the word that is used to describe this, which sounds terribly patronizing to me, but I guess I would say it is more confident. There are certainly signs in Asia of much deeper, unprecedented levels and types of involvement by China. There is more initiative, more leadership being taken, it's less propagandistic in its stance, fewer of the old, tiresome knee-jerk reactions or overreactions to events, using the propagandistic phraseology of the past, as Ken mentioned. In general, it's a more sophisticated policy, and I think it does stem, as I say, from a greater sense of confidence.

It also reflects a greater degree of experience, simply, in the international community and in international organizations since the advent of the reforms in the late '70s. It also reflects a greater level of actual power and influence that China is exerting in the region, especially in the economic arena. And so, these are leading to pressures for more and new types of involvement by China to protect its expanding interests in the region. Let me sum up what I think the major overall features are of Chinese policy and behavior in Asia, and then talk a little bit about what I think is motivating them more specifically.

First, we certainly see a much greater level of activism, in terms of involvement both bilaterally and multilaterally in both diplomatic, economic, and security arenas. There has been a huge leap in the number of Chinese officials, both senior and mid-level officials, who have made visits to countries across the region – both military and civilian officials – to consult; to reassure; to extract support for China's policies; to develop, in some cases, joint initiatives; form trade and other agreements; even create new organizations, on which more below. And of course, there has been, along China's

periphery, the effort to establish and characterize strategic partnerships with the countries all around the area: Russia, ASEAN, Japan, South Korea, and India.

Secondly, there has been much greater receptivity on the part of the Chinese government to participation in both regional and multilateral organizations – much greater level of involvement in APEC, the ASEAN Regional Forum, ASEAN Plus Three – involved not just in participation, but in rulemaking and in putting forward new initiatives in these fora. The Chinese military has repeatedly sent personnel to attend security conferences and different multilateral fora and exercises across the region. China has also been much more involved in multilateral defense dialogues, including the very sensitive area of Northeast Asia, and more broadly, of course, has been supportive of larger U.N. efforts to establish global – beyond Asia – norms for state behavior.

Third area where you have seen more active involvement has been specific efforts to try and really deepen economic relations and the diplomatic relations with key states in the area: with India, with South Korea, with the original ASEAN states, Russia, and with Japan. You have also seen a greater willingness to establish formal understandings on security issues with several Asian states, not just on a bilateral basis, and most notable in this regard is a recent agreement with the ASEAN states on a code of conduct regarding military and security behavior, territorial claims, and military activities in Southeast Asia, where there was a mutual agreement on voluntary, joint notification of joint or combined exercises in the South China Sea. The Chinese would desire something beyond that, I think, which we can talk about in Q&A, but this is at least a step towards some degree of agreement along these sensitive areas. You have also seen the joint declaration on non-traditional security concerns with ASEAN – such things as piracy, anti-terrorist activities, et cetera – and then more recently, this year, an initiative to form a new security policy conference. The Chinese initiated this, which really follows on from their unveiling of the new security concept in 1997.

Now, even beyond this, the Chinese have not just shown a greater willingness to participate in these multilateral foreign organizations, but they have actually taken leadership roles in initiating organizations. We have seen the formation of the Shanghai Five and then the Shanghai cooperation organization in 2001. The suggestion by the Chinese to form the ASEAN-China Free Trade Association in late 2002, and the more recent proposed ASEAN Plus Three; that is to say, an expansion of the free trade association with Japan and South Korea.

We have also seen in the region, I believe, far less confrontational or provocative stances by the Chinese on very sensitive Asian security issues, and I would include in this certainly Taiwan, towards Central Asia, toward the Japan-U.S. security relationship, and most notably, as Ken has just mentioned, towards the North Korean issue. In fact, on the North Korean issue, as Ken has said, you have seen a very clear indication of the Chinese willingness to try and cooperate and play a very positive role, an initiatory role, in trying to control that situation.

Now, some of all these initiatives and activities certainly are symbolic; I mean, I wouldn't invest all of these with enormous import. I think the enunciation of strategic partnerships and such really has more in the way of posture and symbolism than it does real substance in most areas. And of course not all of what is going on is to be completely encouraged. Some of it, indeed, is clearly designed to counter or undermine the U.S. security position in Asia. More on this in a moment, but I think much of it shows a greater Chinese commitment overall to working with and through existing institutions and fora, to establish common objectives, and to strengthen peaceful and cooperative mechanisms for resolving issues, and this is certainly for the good.

Now, what is motivating all this activity on the Chinese part? Well, I think you can point to a whole range of different factors. Some of it has been – in fact, much of it has been in evidence since the 1980s, and especially since Tiananmen and the collapse of the Soviet Union. But then, other aspects of it are more recent vintage. More broadly – most broadly, I should say, I would point to a motive of facilitating – simply facilitating the exercise of increasing levels of Chinese influence in Asia through these activities, especially in the economic realm. As an example, the shift that we have seen in foreign direct investment from Southeast Asian states to China that has occurred since the late 1990s and since – until recent times has really increased the incentives for those states to, themselves, link up with China and invest more in China, and that that dynamic is encouraging the Chinese to try and expand relations, both economically and politically, with that area of the region.

A second motivation, which is closely related to this, is of course of build China's position as a major regional power, to attain extremely important if not preponderant leverage on a range of Asian and global issues: both strategies, security relationships, domestic social issues, such as positions on human rights, et cetera.

Thirdly, I think these activities are motivated by a desire to reassure Asian neighbors that China's rise does not threaten them; to maintain, in their minds, a positive-sum view of China's development, that all sides can gain from China's emergence. This has become especially important for the Chinese, I think, since the mid-1990s and the Taiwan Strait crisis, where a lot of countries in the region became very concerned that the Chinese would have a penchant to use military instruments to advance its political objectives. And of course, closely associated with this objective for China is to reduce Asian support for any basic change in the international view of Taiwan, particularly on the "one China" issue; to make sure other countries in the region continue to agree with China on the interpretation on Taiwan's status and relationship in the international arena.

Another motivation is to balance growing U.S. government efforts to hedge against or to constrain U.S. power, without, however, fundamentally undermining U.S.-China relations, given the increasing dependence that China has on the United States as a market, as a source of investment and technology; in other words, in this effort to ensure that Asia will not side with the U.S. or shut China out in a competition with the United States. This is also – this desire is also part of the larger effort that China has undertaken, which I have alluded to, to stress the application of global norms, which I believe is, to a

great extent, motivated by desire to restrain what China regards as U.S. unilateralism, or U.S. dominance in Asia and elsewhere. And this effort to balance growing U.S. influence is perhaps seen by some in China as the basis of a long-term strategy of reducing Chinese dependence on the U.S. over time and through increasing contacts with and involvement with Asian countries.

Now, since September the 11th and the North Korean crisis, I think all of these motives and concerns have remained in play. But in some respects, Chinese implementation, I would argue, has become easier in trying to attain some of these objectives in the region. And I think that's the case in part because of the reorientation of U.S. strategic priorities away from the notion of a looming China threat and the enhanced need by the U.S. government and other powers in Asia and beyond to obtain China's political support for – and to obtain – to obtain China's continued political support and also to maintain high levels of growth in China. All of these things – to combat terrorism, to deal with the North Korea threat, and to reinvigorate regional growth after several years of recession – the need to have good relations with China, in other words, for these reasons.

Yet, at the same time I should say that in other respects, China's policy in Asia also faces increasing challenges since September the 11th, and this is due to the enhanced presence of the United States along its borders, particularly in Central Asia; to a greater U.S. stress on enhancing its security relationship with states in the region for counterterrorist reasons and for other reasons; also, because of increased U.S. defense and political relations and assistance to Taiwan; and also increased U.S. support for new types of weapons systems in Asia, such as missile defense systems. All of these, in effect, posing a greater challenge of what China regards as a somewhat more assertive, if not more militant, U.S. foreign policy related to the region in a decidedly more unipolar world.

At the same time, an increasing challenge to China's policy in Asia has also been generated by its own domestic challenges: the idea of the challenge of elite succession and governance issues that we talked about earlier today. These demand attention and could reduce available resources for China or complicate China's decision-making in implementing policies toward Asia.

Now, the combined impact of these new challenges and opportunities in the context of rapidly increasing contact with and influence upon the Asia-Pacific region – and, indeed, beyond Asia – have generated debates within China over China's future strategic emphasis, its key relationships, and its means or tools for implementing its policy in Asia and beyond. You have seen, I think, more open advocates within China in recent years of a higher level of cooperation with the West and with the United States in many areas: more Chinese leadership in a variety of different areas, and the explicit rejection of historical and what are now regarded as obsolete relationships and approaches regarding North Korea, for example, regarding involvement in bilateral versus multilateral fora, and regarding the very presence of the United States in the region.

Some indeed in China argue for an explicit acceptance of the long-term U.S. military and diplomatic presence in the region and of U.S. maritime military predominance for a long time in the future. Now, these kinds of views are not advocated out of a love for the United States or even of democracy, but out of a belief that China can protect its most essential security interests in Asia through a combination of, on the one hand, limited military forces that are keyed basically to the defense of the periphery and the protection of interests such as Taiwan, along with expanded economic and diplomatic relations across the region. These sorts of things do not require blue water military capabilities. They don't require the defense of strategic lines of communications to the Middle East. What they do assume is that China's long-term economic power and political presence can lock states in the region into long-term cooperation with China.

Now, advocates of this kind of view would prefer to see the end of the U.S. bilateral security alliance structure in the region in favor of a more amorphous multilateral security structure along the lines of the new security concept, but I don't think they see this as actually requiring pressure by China, pushing hard for the abrogation of these alliances. I think they believe that, over time, these alliances might well atrophy in their influence, and that China should not take them on and confront them.

This overall view, however, I would not say is by any means the mainstream in Chinese security thinking in Asia.. It's a new strand of thinking. Elements of it are having influence within the leadership, but as I say, it's not the mainstream at this point. It remains to be seen how these and other strands in fact will play out over the future, and indeed – well, we're going to devote a session at Carnegie in the future to talking about these alternative security views of China.

In any event, just to summarize, I do think that the region has seen a very notable increase in China's activities in a variety of different areas, particularly in the security realm. I think many of these are motivated by changing contexts for China. They still, however, reflect a lot of long-term security concerns that China has, especially vis-à-vis the United States, and I think many of these policies are well established, and they serve very strong and enduring Chinese interests and I think will continue to do so even if, I dare say, U.S./China relations experience a certain downturn in the future, as Ken has alluded. Indeed, I would go so far as to say that they might – the relationship China has in Asia might very well deepen to some degree, these policies might well be extended in the context of a worsening U.S. China relationship.

Thank you very much.

MS. ECONOMY: Thank you, Michael. And Tom – (applause) – Tom is going to talk about “China's Foreign Policy Adjustment: Positive Trends and Potential Pitfalls.”

MR. CHRISTENSEN: Thanks a lot, Liz. Can people hear me in the back?

I'm supposed to speak about things more abstractly than my colleagues here, about trends that I see heading out into the future. And I wanted, before I do that, to thank Liz and Minxin for having me. This is a great event, and one of the great things about going last is everything important has already been said and it makes things more concise perhaps.

I'll speak more abstractly, but I have to make one specific point, and that is I'm a political scientist and I'm used to speaking abstractly, and one thing I'm not is a top adviser to the Bush administration – (laughter) –

MS. ECONOMY: All right, Tom, I'll take it back, I'll take it back. (Chuckles.)

MR. CHRISTENSEN: I just would never claim such a thing.

I'm going to do three things in my talk, and one is talk about trends in PRC foreign policy and why they look so good for the United States – I'll speak from an American perspective – and I do think they look quite good, the trends in Chinese foreign policy, particularly in recent months. I'll talk about what I think helped create those trends, with some emphasis on what the United States helped to do over the years to create those trends in Chinese foreign policy. And then I'll conclude by talking about what forces I think could slow or reverse those trends.

Currently I think U.S./Chinese relations are as good as they've been since the period before the Tiananmen massacre. It's almost become a cliché, but it's a recent cliché, and I think North Korea really sticks out as an example of cooperation and proactive Chinese foreign policy above everything else. And Fareed talked about that earlier; I think he's right. It's really different for China to take the lead. It's one thing to cooperate; it's another thing for China to stick its neck out and take the lead.

But there are less dramatic but still very important forms of cooperation that predated that. On the global war on terror, as Ken pointed out, there is significant cooperation. And there is general stability over Taiwan. It's a dog that doesn't bark. You don't read about Taiwan crises or potential crises very often in the press right now. That's a very significant thing. If that weren't the case, that would be a very significant thing, and it is the case and that's a very significant thing.

Now why has this happened? It's partially due to changes in China in recent months – partially. The new leadership coming to power did have something to do with the North Korean switch, I believe, partially in terms of the timing and partially in terms of the intensity: the timing because there were these new thoughts in the Chinese government back in January when I was there last about new ideas about what to do about North Korea. They were there, people were speaking about them, but everyone would point out privately that this isn't a good time to stick your neck out on North Korea policy; we're all waiting to get promoted at the National People's Congress, right? It was not a great time to raise a controversy. You had to get through the promotion process before you can actually push these policies forward. The second thing is, I think

Hu Jintao. Whatever his psychology and whatever his view of the world, he had a real institutional reason to push for a new foreign policy---to put his mark on things---as several people had pointed out earlier.

So I think those things matter, but I think they can be exaggerated in importance because there's been something more fundamental going on in Chinese foreign policy thinking for a longer period of time, and particularly over the last couple of years. You've seen a lot of new ideas about how to view the world and real criticisms of previous foreign policies.

I see Evan Medeiros in the crowd. He has a very good article with Taylor Fravel that will come out in Foreign Affairs that I strongly recommend on this topic. We've seen the increasing prominence of a relatively large and growing group of relatively moderate foreign policy advisers in China. We know quite a few of them. They seem less frustrated than they have in the past. Maybe that's because maybe they're being listened to more than they have been in the past. And they're less xenophobic than their predecessors, they're more likely to see common interests among great powers rather than to see great power relations as a zero-sum game. They're less likely to see China as a victim in international politics, and they're more likely to criticize those who do and criticize them explicitly. They say this is not the way to go about business and they're more confident about China's ability to assert its interests in the international arena without the use of force.

So I think that's a longer-term trend. That's good for the United States because that's not something that's a flash-in-the-pan phenomenon, and I'll talk about why I think that's come about and what the United States has done to contribute to it.

A second trend over the past few years, I think, is also very important, and that's the general atmosphere of criticism. There are certain things that just weren't talked about very much in the past in Chinese strategic circles, and they've been talked about over the past few years, under the Jiang Zemin leadership or Hu Jintao leadership, or wherever you draw that line. It's a transition and it's still ongoing.

Historical issues like the Korean War have been discussed more frankly in terms of the facts discussed and the analysis applied to it, as have more recent events like Zhu Rongji's threat to Taiwan in 2000. And this occurs in public, in openly published manuscripts and in sessions where people have name tags, just like in this session. People will say, boy, that was a big mistake that Zhu Rongji made in 2000, right? That kind of thing is really a new trend and it's an important trend because criticism helps avoid mistakes in the future, and we want China to avoid the kinds of mistakes that Mao made before the Korean War and during the Korean War, and the kinds of mistakes that the PRC has made in its bluster and threatening of Taiwan in the 1996 to 2000 period.

Okay, so why the new spirit of cooperation and the rise of new thinking? First, there's more confidence in China. China is doing well in comparison to a lot of its neighbors, so there's more confidence. That's not something that you can attribute to the

United States directly. The economy has given more confidence, and there's more hope that Taiwan politics will go in a direction that's more favorable to the mainland than it has in the past, partially because of economic pull and partially because of a more carefully crafted Taiwan policy on the mainland. So there's more confidence.

But there are some things that U.S. policy has brought about over many years, not just in this administration or any other – I certainly don't represent any administration – (laughter). The most basic –

MS. ECONOMY: I didn't mean to out you, you know. Okay?

MR. CHRISTENSEN: I feel othered. (Laughter.)

The most basic thing is engagement. Engagement has worked. We have a tendency in the United States to be called triumphalist around the world; I think we're just the opposite. We tend to complain all the time about how badly things are going when things have actually worked. Engagement has worked. We've had a large cadre of people come over here and study and work and interact with Americans, and that has changed their attitudes about the world, and that's a good thing.

But what's less commonly discussed is how American toughness has worked, and I really believe American toughness has helped produce this outcome over time – and again, across administrations, particularly dating back to '95-'96 – and especially March of '96 when we sent two aircraft carriers. The fact that bluster and threats against Taiwan have not produced the goods in China is good for China because it allows people who have alternative methods and ideas about how China can assert its influence and guarantee its place in the world to gain voice within the system. This isn't just my opinion; it's actually the opinion of some of these people. They'll never come out and say, "way to go, way to send the carriers, but they say, look, we have a better way, and it's pretty clear these other people are wrong, and that's a good thing." Now nobody in China is going to forego the use of force and the buildup continues, and I'll return to that, but it is important for the threatening approach for China to fail.

The second thing that has helped is the restructuring of U.S. alliances and the building up of the U.S./Japan alliance again since the middle 1990s. Why is that important? Because as Michael said, a lot of the Chinese drive for multilateralism in security affairs and in economic affairs – not all of it, but a lot of it – has to do with trying to find a way to assert China's influence in theatres in which China can compete more effectively with the United States, to hedge China's bets against what Fareed called amazing U.S. powers. It's not the only driving force, but it's a driving force.

A lot of people in Washington worry about this -- well, China is really having our lunch diplomatically in Southeast Asia: they're setting up free trade agreements; and they're involved very actively in confidence-building measures. Well, if you go back to the early post-Cold-War period, the big complaint about East Asia was that it lacked economic interdependence and there were no institutions like we had in Europe for

confidence building. If the United States' strategy has produced the result that people wanted, we ought to declare success once in a while. And it's not a zero-sum game, and all it will do is prevent the United States from doing things that the United States wouldn't want to do anyway, but which were in the back of the minds of people in China who were quite worried that we might do them. In other words, if it prevents the United States from doing things that the United States wasn't going to do, and in the process helps build regional stability, which is something the United States wants, then we win, right? That's what strategy is about: to get people to do what you want them to do. And I think U.S. strategy on this score has been successful. But not enough people have looked at it that way.

What else has been an important source of cooperation? Well, the global war on terror and North Korea. The global war on terror really was a psychological blow to some arguments in China, I think, in addition to other things. It was one of the things that really underscores that there are a lot of common interests, that it wasn't good if the U.S. economy was going to turn south after the attack. I have to say, you know, I was not surprised on North Korea, where the cooperation was more dramatic – but I was somewhat surprised at how forthcoming China was and how unconditional China was in its cooperation right after 9/11. But it was that realization, I think, that was very important to a lot of Chinese security analysis: “oh, my god, the United States could be in trouble, that's not good for us – because it's not a zero-sum world, right? It's not a pure zero-sum world.”

I think the global war on terror and the North Korea phenomenon allow for a very balanced deterrence policy on Taiwan, and I do think Taiwan is very important, and I'll return to this in my concluding comments. The global situation allows for a very balanced deterrence policy by the Bush administration toward Taiwan. It creates the conditions that make that balanced deterrence policy possible.

A balanced deterrence policy has to include a credible threat of intervention and it has to include something else that's often left out, which is a credible assurance that you're not going to use your military superiority to steal away the other's core interests if the other side actually cooperates with what you're doing. The global war on terror and North Korea has provided the opportunity for both of those things. The United States looks awfully resolute in the world with its military. It looks like it's going to keep its commitments, and I don't think anybody can doubt that, and this has been coupled at with significant arms offers – I would call them transfers but they haven't been purchased – offers to Taiwan, and a tough rhetoric about United States' commitment to Taiwan, all of which is fine as long as it doesn't undercut the assurance side. The assurance side is just as important. And I think the assurance side has been emphasized by the Bush administration, particularly since spring of last year or August of last year – it depends on where you want to date it. But the big thing isn't just the emphasis by the Bush administration, but the fact that the assurance has been believed in Beijing, and the assurance has been believed in Beijing because Beijing analysts understand that the U.S. is distracted elsewhere and that the United States does not want another in-box on the president's desk with “Taiwan Straits” on it at this time, so it becomes quite credible

when the Bush administration goes out of its way to say we do not support or we oppose Taiwan independence and basically reads the riot act to Chen Shui-bian's government when they step beyond the bounds of what is considered non-provocative to cross-strait stability.

This creates trust and this trust should last for at least the next couple of years. The question is what can go wrong over the longer term, and I'm supposed to talk about the longer term. Three (minutes?)?

MS. ECONOMY: Yeah, go ahead.

MR. CHRISTENSEN: I'm good for three?

MS. ECONOMY: You're good for three.

MR. CHRISTENSEN: I'll be done in three.

MR. : (Off mike.)

MS. ECONOMY: No, no, you don't get six – (chuckles).

(Cross talk, laughter.)

MR. CHRISTENSEN: What can go wrong? One thing that can go wrong is failure. Failure is always the worst thing. Failure of a belligerent policy was good for this process. Failure of a cooperative policy would be bad. What Fareed said before, I think, is right and what Ken said is right. If North Korea goes badly – I don't want to say south because of the geographic focus – (laughter) – if North Korea goes badly –

MR. : (Laughter.) We're all in trouble.

MR. CHRISTENSEN: -- then it's a real blow to those who say, you know, China ought to step up, stick its neck out and support the United States in this effort, and it's a multilateral effort. We can criticize the Bush administration all we want for unilateralism, but they held out for multilateralism in this affair, and they were right to do it, and it worked. It worked because China cooperated. A lot of people doubted that China would cooperate, but China did cooperate and it's – I think it's paying off. Even if things go badly, it's better to have them go badly under the current structure than if they hadn't held out for that. So that's one issue.

The second is that trust can be squandered by a change in the international environment. What if things start going well for the United States? Will China really trust that assurance about Taiwan over time? That's an open question because it's not so much fragile in the sense that it can break like a piece of glass, but it is contingent on an international situation that the United States would rather see go away. And that's in the context of what is a real buildup – and this is the down side – that the PRC is building up

its coercive capacity against Taiwan in a fast manner. It's difficult to maintain deterrence under that situation, and deterring against coercion rather than deterring against domination requires a higher degree of American and Taiwanese superiority in combination. So that means that the United States is going to react with U.S. readiness, with arms sales, and with coordination with the Taiwan military. Under those circumstances, that's going to appear provocative on the mainland, and the mainland's buildup is already provocative. So you have the potential for a spiral of tensions in the cross-straits relations in the absence of this political agreement between Beijing and Washington, which is there now. With that political agreement, I don't think arms races lead to conflict. Without that political agreement, you could have real potential problems.

And the last thing – and I'll end with this, and I think it will help wrap up the day a little because I think the stuff at the beginning of the day was actually the most important. I do foreign policy. That's what, you know, I studied, that's what I'm interested in. The stuff that we talked about at the beginning of the day is really important.

I'll just lay my cards on the table. I think China will democratize. It will democratize. It will be a liberal democracy in the future. Why? Because it's a good idea; because Chinese people are smart; because they're going to see it's a good idea and it's a better way to go than all the alternatives.

The question is how do you get there, and I don't think this tinkering with the system. And I do think it's been largely tinkering; it's important tinkering, it's important change in China – but it is not really going to answer the mail for the long term. There's going to have to be some fundamental steam-release valves built into this system to maintain stability domestically, and at the end of the day, that's going to be a democratic system.

But how do you get there? The democratization process is very fraught with potential conflict and setbacks even though, at the end of the day, it's going to happen. And it will be good, when it happens, for U.S./China relations. And how we manage that process is all important, and how we understand where we are in that process is all important, and that's why I think the stuff at the beginning of the day, despite the fact that it's called low politics, is critically important to U.S./China relations as we look out into the future.

Thanks.

MS. ECONOMY: Thanks, Tom, and thanks to all our panelists. (Applause.)

We have about 20 minutes for questions, and we will end promptly at 4:45, so let me begin – yes, right here. John?

Q: Hi, I'm John Pomfret of the Washington Post. Sorry about my voice. I had a question about the arms sales question, both – either to Ken or to Tom. What do you think it means right now that the Bush administration has offered up many big guns to the Taiwanese, but the Taiwanese have yet to actually buy any of them? Is this significant or is it simply a matter of time before a certain point they're going to actually – actually start signing checks?

MR. LIEBERTHAL: Well, I think, first of all, it reflects the democratization of Taiwan, the fact that you have the DPP in power, and that arms purchases issues now are no longer a matter that is kept from the legislature and totally bottled up within the Guomindang elite. Now that it has gone to the legislature, it competes with other priorities. They have to explain why they would want these arms and how they might use them, and it has also gotten very tied up with domestic military reforms in Taiwan. So it has become a very controversial and difficult set of issues, especially when Taiwan's economy has not had a sterling performance in the last few years.

I think we'll see them start to make some significant arms purchases coming up very soon. There's a budget supplement that's being proposed that's serious. I think we'll see some of these big-ticket items move. I don't think we'll see all of them move, and I think that the relations between our military and their military are going to be, frankly, fairly complicated over that issue.

Let me say, by the way, not only Tom, but Michael Swaine has done a tremendous amount on this issue, so both of you might want to jump in on this.

MR. CHRISTENSEN: Go ahead, Michael. (Scattered laughter.)

MR. CHRISTENSEN: I think it's indicative of something deeper – the arms sales problem. I mean, on some systems you could debate whether Taiwan needs or not, but there are some systems that really aren't all that debatable: the 12 P-3 aircraft that were going to be transferred for anti-submarine warfare are absolutely critical to their security and they didn't buy them. So, they didn't buy them right away, and there's always negotiation and to and fro. I think it shows a certain lack of strategic thinking at the very top in the Taiwan government about what they need and how to coordinate with the United States. And I think there was a lot of frustration in Washington – it's my impression – that people had thought really hard about the package they wanted to offer and the challenges that face Taiwan. They in Taiwan saw it as a sort of shopping list, you know – well, we'll take that one, we'll take this one, we won't take this one – rather than seeing it as an integrated package that someone had thought through as a way of improving Taiwan's ability to fend off a coercive attempt. So I think it's quite concerning. Maybe it will get better, but the deeper thought process is what really needs to be involved if the United States and Taiwan are going to cooperate more effectively in providing for Taiwan's defense against unprovoked attack.

MR. SWAINE: Just a word to add – I mean, I agree very much with what Tom just said. I think this issue is really – should be viewed as symptomatic of a much deeper

and much more important question, which is the ability of Taiwan to assess its security needs, to define clearly how to address those needs, and to put in place a means of implementing that conclusion.

Taiwan, in my view, does not have those capabilities to the level that one might think them necessary if you assume that these capabilities are designed to affect the calculus of the Chinese because I don't think the Chinese, to this point in time, view seriously the acquisition by Taiwan of this or that military system as militarily having an enormous effect on its own calculations. It's much more concerned about the political implications of certain types of acquisitions for U.S./Taiwan relations and for Taiwan's own capacity to assess its environment and to act accordingly. So it's really – I mean, I think – as Ken just said, I think Taiwan will probably put up the money and acquire a lot of these weapon systems that have been in abeyance for so long now, but that is just – to me, that's not the big issue. The big issue is what it does then, how it's able to integrate those systems into a really operational, effective military apparatus that is able to provide clear deterrent capabilities for a very critical period of time for Taiwan, which would be in the opening week to two weeks of conflict with the mainland, where the United States will not be on the scene to the extent that is required; or more important than that, be able to deter the Chinese from even making the calculus to get to that point of opening up hostilities. I mean, that's, you know, a really critical aspect of all of that, and we're not by any means at that point yet with these kind of acquisitions.

MR. LIEBERTHAL: I just want to say that what Michael just said is what I wish I had said.

(Laughter.)

MS. ECONOMY: Okay, right here. Go ahead.

Q: (Name unintelligible) – from the Voice of America. I have a question for Professor Thomas Christensen, but I would like to hear from everyone.

Professor Christensen, you maintain that China, in the future, would be a democratic society. I would like to know your opinion what would the relationship between China and Taiwan be in that case or scenario.

MR. CHRISTENSEN: Boy, that's a great question. If China were to democratize – well, I'll say one thing. It would be the worst nightmare for Taiwan independence activists and believers, for the following reasons. It would steal a very big argument for maintaining – or stiff-arming the mainland on links. It would, in addition – and I think this is probably more important – it would probably steal Taiwan's biggest ally away. This is my own personal opinion, but my own personal opinion is that it would be very, very difficult for an American president to justify intervening in a Taiwan cross-strait conflict if both sides of the strait were dedicated to liberal democracy because the argument would no longer be about protecting a democracy against a non-democracy or an anti-communist state against a communist state – all these things that were very much

part of the justification, if not the reason, for the long-term defense relationship with Taiwan.

I think it would just be very hard to say, “my God, you’re saying Taiwan will be folded into a larger democracy where civil rights will be justified, where people will have a say in their government? Oh, no, we’d better go in there and prevent that.” I just think it’s a hard thing to sell. I think if you’re a Taiwan independence activist, that has to do with nationalism; I’m not criticizing anyone who is – if you’re a Taiwan (nationalist) – if you believe that Taiwan is a nation, and it’s not China, and it never should be China under any system, this would be an outcome that would work against your long-term interests, it seems to me, because I think you would have a very hard sell with your major ally, and I think it would be very hard to argue effectively against the mainland.

The last thing I would say is I don’t think it would solve the problem. There’s all this democratic peace theory out there. I think it might ease the problem, it might not, but democratic peace theory doesn’t ever apply to internal situations. It was never meant to apply to them. When people believe that part of their country is part of their country, they fight differently and they tend to fight harder than they do internationally, so that peace between the democracies – China and the United States – I think would probably hold, but peace across the strait might not. I just don’t think the United States would send the cavalry – to use the earlier analogy.

MR. SWAINE: There’s an additional element to democracy and that is federalism. If this is a – you know, a French-style democracy, the people of Taiwan will have 23 million votes out of, you know, one-point-something billion – not a good situation. So one of the critical elements would be is this a federal – highly federalist system that would allow a lot of local autonomy to its various geographical components. If not, I can’t imagine that Taiwan would view this as a good development.

MS. ECONOMY: Okay, back there – go ahead. (Off mike.) Okay, John? Yeah.

Q: Eric McVadon, a consultant on East Asia security policy. You’ve described sort of a new security context for China and a very different foreign policy from what we might have seen some time back, and I mean this as a serious question: could we conceivably be seeing the first signs of an erosion of an absorbing obsession by Beijing with the Taiwan issue? Could we be beginning to see that it is somehow at least a little less prominent and central in Chinese thinking? And as I say, I mean that as a serious question. It may sound completely naïve –

MR. LIEBERTHAL: This is like volunteering in the military: you don’t step forward; everyone else steps back. (Laughter.)

You know, Eric, I have felt for a while now that China is quite comfortable with not resolving the Taiwan issue; it is not comfortable with Taiwan making the issue into a crisis. And it is deathly afraid of the latter, and so to prevent the latter it takes measures that then can create their own tensions. In other words, it doesn’t always handle it well.

But if your question is, given the various things that Michael laid out and that Tom laid out, could China, over a long period of time, tolerate a lack of resolution of the Taiwan issue? My feeling is, no problem. That's easy to manage.

But you have to keep in mind that there are things that could occur that would move this issue back to the very center in about a nanosecond. So it remains a source of concern, even if it's not the center of diplomacy.

MR. CHRISTENSEN: I think it's a critically central issue because of legitimacy of the regime, in part. And I think it's a critically important issue for the reasons that Ken says, that I don't think the leadership, as individuals or as a group, believe they can afford to lose face on this issue. People say nationalism is on the rise in China. I don't think nationalism is on the rise in China; it was always there. It was there in the '50s and '60s. I think that all other ideologies have collapsed around nationalism, and that's just the one building that's left standing, so it looks very, very impressive because it's the one building left standing. But it's incredibly important to the legitimacy of this regime because nobody believes in communism anymore.

What else do you have? You have economic growth. Fine. Well, that's good in a boom time; it's not so good in a recession. But nobody believes in communism, which is a good thing for us, but nobody believes – I always say, do you want to meet a communist, come to a university town – (laughter) – don't go to Beijing; in America, not in China. (Laughter.) No, don't go to China's university towns; they're all in business now. (Laughter.)

So that's the big issue, I think, that they can't afford. Now, I think that it's a mixed motive. I do believe that the first thing they want to do is prevent Taiwan independence, but there's also this constant backdrop. They're supposed to be making progress towards unification; something they can show for it. They're not in a hurry, but they're supposed to be showing some progress that things are getting better in cross-strait relations -- we're getting more respect on the international stage on the Taiwan issue. And it's not enough for them just to say, you know, we've locked this in place forever. I think they need to make some progress, and that creates this kind of mix of defensive goals and revisionist goals, and that creates a very complex picture for cross-strait security.

But I basically agree with Ken that the big issue for them is not to have it thrown in their face. And it will be thrown in their face because there are people who believe in Taiwan independence, and they have a voice and they're in a democratic system and they're going to express opinions that are going to be aggravating to the mainland for sure.

MR. SWAINE: The short answer to your question, Eric, is no.

MS. ECONOMY: Do you want to add –

MR. LIEBERTHAL: I was just going to add that the important thing for them is to be making progress on the Taiwan issue. Let me say they are making progress and they always will be making progress.

MS. ECONOMY: Okay, I'm sorry, last question. Go ahead, Fareed. I already pointed to you, unless you want to cede it.

Q: The old academic rule: everything's been said but not everyone has said it. (Laughter.)

MS. ECONOMY: Excellent. Let me ask somebody else then, if that's your opening line.

Q: I actually wanted to ask Tom a question and Ken a question. Tom, you laid out, in your presentation, how American policy toward China has improved relations over the long haul. I think you could make the case – and you hinted at this – across Asia in general. You see the United States having much better relations with India, with Japan, with Pakistan now – with the exception of South Korea, it's actually difficult to think of a country where the United States has not significantly improved its position in the last 10 years, roughly speaking.

Now, my question to you is, to what extent does this enhancement of American power and influence worry China? You talked about Chinese moderates, and I'm wondering, how do they look at this Bismarckian system where we have better relations with every country in the region than the countries have, you know, among themselves, in which we maintain a dominant military political position? You know, we often talk about wanting a balance of power in Asia. What we actually mean is we want an imbalance of power in our favor, and, you know, the Chinese have often noted that. Are these new moderates making the case that we should live with that kind of system, or do you think American policy will have to shift in order to accommodate China's growing aspirations?

MS. ECONOMY: One point at a time, Fareed.

Q: All right. Ken, I just wanted to know, outside of Taiwan there's the other big issue, the other city-state: Hong Kong. To what extent are pressures in Hong Kong for greater and greater participatory politics going to place significant pressure on the Chinese leadership?

MS. ECONOMY: Okay, go ahead, Tom. Let's make our answers brief.

MR. CHRISTENSEN: Okay. I think you've outlined why U.S. relations with all of Asia are much better, not just with China. It's quite impressive, the array of countries that you're getting along with all at once. And if people would have predicted that a long time ago, I think people would have said you were crazy, that that would be impossible.

But 9/11 has provided, a) a reason for that, and, b) a lot of cover for that, and that's important because I think the moderates in China are saying, well, what's it all for? If you're in Central Asia to knock out terrorists, that doesn't hurt us so badly; if you're creating new alliances – “lily pads,” or whatever they're going to call it – around the region for access and you're doing it so you can project power against terrorists in Indonesia, that's not so bad -- we don't like terrorists in Indonesia either -- but if you're doing it to encircle and strangle us, of course that's bad.

They have written on this. And I think, again, one of the core litmus tests, and also a real concern, is what's the policy on Taiwan? The way the U.S.-Japan alliance is viewed is largely through whether the U.S.-Japan alliance is going to be used in Taiwan contingencies. And if you think that it's less likely that it's going to be used in Taiwan contingencies, you're much more tolerant, from a Chinese perspective, of those changes and those upgrades and those capabilities being brought to the region than if you don't. And so far, so good. And again, it's not permanent, but things are going well and the moderates are writing about this – I'm not making this up – they're writing about this on these terms. It's not necessarily a bad thing, don't panic, but be vigilant; make sure it's not being used against us.

MR. LIEBERTHAL: Briefly, the Tung Chee-Hwa government's stumbling has had several effects. One is it has drawn Beijing more directly into Hong Kong politics than I think they wanted to be, and especially Zeng Qinghong is now playing a very active role.

Secondly, though, it has persuaded the Chinese that they have to do a lot to try to shore up Hong Kong's economy, hoping that a lot of this popular participation has been because people are so upset that the economy is going badly, and then they see Tung as potentially threatening that with Article 23 that has provisions that might even weaken the legal system, one of the really core elements of what makes Hong Kong worth being in for multinational corporations and others.

I think that if the Chinese are wrong about improving Hong Kong's economy and trying to push Tung to be more effective, then they are going to have a huge problem on their hands, and they haven't figured out how to handle it if that goes – I guess with Hong Kong I can say, if that goes south. (Laughter.) But I think we won't get a real handle on that probably until this coming winter, and then we'll have to see how things develop from there.

MS. ECONOMY: On that note, let me apologize to those of you who are not able to ask your questions, and really thank our panelists for just, I think, an incredibly rich discussion and set of remarks. And also, if I could just call Minxin up for a second, if you want to make a few closing remarks.

I'd like to thank all of you also for your terrific questions. Ken mentioned to me earlier that questions often bring out the best in the panelists' discussion, and I think he's

absolutely right. We appreciate all of your comments and questions I hope as much as you maybe appreciate our remarks, also.

MR. PEI: Well, first let's thank the panelists for this terrific presentation. (Applause.) Well, this is the first time the Carnegie Endowment has cooperated with the Council in holding a China event. We're both competitors and partners, and I think this will not be –

MS. ECONOMY: He just brought it out -- (unintelligible).

MR. PEI: --- the only time, and I hope we'll be able to do this again pretty soon.

I want to thank all of you for participating in this all-day conference. I think we're delighted that the turnout is so good, and your attention is really a testament to your interest and also to the quality of the presentations.

Finally, I want to thank the staff at the Council and the Carnegie Endowment, who made this happen, specifically John Fei, Laura Geller, Savina Rupani, and also the conference center manager at Carnegie Endowment, Dan Conway. Believe me, last night at 6:00 there was nothing in this room. We had to get all the chairs from the warehouses, and Savina got the catering taken care of at 3:30 yesterday afternoon.

So all of this is a miracle, and I think we're going to make it happen again. Thank you very much.

(Applause.)

(End of event.)