



**SPECIAL PRESENTATION**

**“A PROGRESSIVE STRATEGY TOWARD CHINA”**

**MODERATED BY:**

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CENTER FOR AMERICAN PROGRESS**

**KEYNOTE SPEAKER:**

**AMBASSADOR J. STAPLETON ROY**

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MS. NINA HACHIGIAN: On behalf of the Center for American Progress, let me welcome you all here today. We're so happy that you could join us in these dog days of summer. So we're here today to release and discuss a report in the form of a memo to the next president that presents a progressive approach to U.S.-China relations. With the Olympics in full swing, or full stroke, I should say, maybe, and less than three months until our own election, the timing for today's discussion really couldn't be any better.

When we decided to embark on this subject, the Center was fortunate enough to be able to convene together a group of some of the very best experts in this country on China. We had, over the course of a year, a set of structured discussions on different facets of the relationship, and those sessions formed the basis of our conclusions in the report. The report was very much of a team effort. And I have to thank the task force members for their great insights, and also, my two main coauthors, Michael Schiffer who will be joining us today on the panel, and also Winny Chen. And I say main coauthors because this was a report that many within CAP and outside CAP contributed to; too many to mention today, but they all have our great thanks.

So I'm going to take a minute to highlight a few aspects of the report and then introduce our main speaker, Ambassador Stapleton Roy. And after the ambassador's remarks, we'll then move into our panel discussion, and then open it up to the floor for your questions.

So this report presents a progressive strategy toward U.S.-China relations, and we think that is the best way to advance U.S. national security interests, and that means a few things – first, that our strategy is forward-looking, that we accept the change that China's rise represents. We embrace it and we try to grapple with it, not try to pretend that that reality doesn't exist. We also bring our values with us to this discussion, the values of individual freedom and human rights, and at the same time, the report is very pragmatic about how we're going to achieve results, and realistic about what our leverage is with China.

We also make an essential tenet of the report that America has to collaborate with other countries to solve problems. And in the case of our shared challenges, that means collaborating with China, and in other cases, it means collaborating with other countries in order to pressure China more effectively. We call for the United States to embed China more deeply into international norms and institutions as a necessary step to tackling many of today's global challenges.

And in particular, in this report – and I think this is a first, as far as I'm aware of, for a comprehensive report on U.S.-China relations – we put energy and environment at the center of our relationship. This was in recognition of the fact that global warming is a major security challenge of our time, and we will not be able to address it effectively unless we have China by our side working collaboratively with us. It's one of six issues

that we address in the report, the others being our economic relations, Taiwan, regional security, China's military modernization, human rights and governance.

So just a quick word on the economics. Our overall approach is taken from this notion of the "virtuous circle" that CAP has developed as its policy toward international trade. And it's based on the observation that growing broad and sustainable middle-classes in other countries is not only morally correct, but it's the best economic policy, because it's that new class of consumers that will buy U.S. exports and will invest here. So in addition to a variety of trade measures, we call on China to make more progress more quickly in establishing social safety nets and protection programs for workers, antitrust rules, consumer protections and the like. We also suggest that the United States empower the International Labor Organization as a way to improve labor rights in China. In addition, of course, we recommend that we have to invest here at home in a very serious agenda for U.S. competitiveness, and to restore our own fiscal discipline.

Finally, this report warns that the president-elect needs to have a pragmatic relationship with China from the get-go. We've had this pattern that is held true since Nixon that our candidates campaign on the idea that they're going to be tougher on China than the last guy, and eventually revert to a more evenhanded approach once the realities of the relationship become apparent. And this time around, we can't wait. Issues like global warming and North Korea are too pressing to stick to that same pattern.

So it's not my great pleasure to introduce our main speaker, Ambassador Stapleton Roy. His career in the State Department spanned 45 years. He spent much of that time in Asia, although he was also stationed in Moscow at the height of the Cold War. He has been an ambassador three times to Singapore, to Indonesia, and from 1991 to 1995 to China. He is a fluent speaker of Mandarin Chinese, and was actually born in China to missionary parents. In 2001, Ambassador Roy joined the Kissinger Associates, a strategic consulting firm where he is a vice chairman. He's also a vice chairman of the National Committee on U.S.-China Relations, a trustee of the Asia Foundation and the Carnegie Endowment of International Peace, and on the board and adviser to many, many other institutions.

And just two weeks ago, Ambassador Roy was named the founding director of the new Kissinger Center on China and the United States to be housed at the Wilson Center here in D.C. I had the pleasure of attending a presentation that the ambassador gave in Los Angeles some years ago, and I found it to be one of the more memorable talks on China that I'd heard. So let's give a warm welcome to Ambassador Roy. (Applause.)

**AMBASSADOR STAPLETON ROY:** Good afternoon. It's encouraging to see so many people turn out on a hot summer day in August. In less than six months, we will be seeing a new administration take office in Washington. For me it's déjà-vu all over again. I arrived in Washington in 1956, just in time for the second inauguration of President Eisenhower. So I've been through a lot of these transitions.

They all have common characteristics. When a new administration takes office, it begins a lengthy process of staffing up the new administration, the government departments. The new administration has to determine the policies that the United States will pursue for the next four to eight years, and they need to – and this can be the most difficult task – establish priorities among the various policies that they intend to pursue.

Whatever the deficiencies of this system – and there are some – you pay a cost when you sweep out an entire echelon of policy makers every time you change an administration. But one of the singular advantages of the system is it gives you an opportunity to fundamentally reassess the course that the country is on and the policies that it's pursuing. You can't have such fundamental reassessments, if you have significant holdovers of people committed to the previous policies at the policy making level.

So this system can result in long overdue corrections to the course that the country is on. But it can also result in a repetition of past errors, if the new policy making officials have an inadequate understanding of the real world outside the United States that our foreign policies have to deal with. In conformity with the longstanding American tradition, every self-respecting public policy think tank in the country is busy churning out recommendations designed to help the new administration get on to the right course. I am glad that the Center for American Progress has labeled their approach “a progressive policy.” I'm happy to say I've yet to encounter anyone recommending a retrograde policy. (Laughter.) But sometimes, we find that the course adopted represent a mixture of progressive and retrograde elements.

In those cases where the recommendations deal with foreign policy issues, the usual practice is to offer advice on a whole range of issues covering a region or sometimes the entire world. In many cases, in virtually all cases, U.S.-China policy is viewed as an important issue, but it is only one of many. Our presence here today is for a different purpose, because the Center's report, in recognition of the singular importance of our bilateral relationship with China, both for our two countries and for the world as a whole has devoted a report that is focused entirely on how the new administration should handle relations with the People's Republic of China.

That such a report is needed should be self-evident to all of you who have followed similar transitions in the past. Often, the quote that comes to mind is that attributed to George Santayana that those who do not learn from the past are doomed to repeat it. Regardless of the state of U.S.-China relations at the time, transitions between administrations in the United States have, more often than not, resulted in a period of rough going in relations between Washington and Beijing.

When Ronald Regan became president, the issue was the level of officiality in our relations with Taiwan and the issue of arms sales to Taiwan. Eight years later, when the first President Bush took office, the relationship was caught up in the intensely negative reaction in this country to the Chinese crackdown on the demonstrators in Tiananmen Square.

The Clinton administration came into office comparing Beijing to Baghdad and learned the hard way that making human rights the criterion for handling our trade relations with China is not effective either in terms of promoting human rights or in advancing our economic interests with China.

And eight years later, the second President Bush took office against the backdrop of having rhetorically characterized China as a strategic competitor during the campaign, and within three months, the administration had to deal with the crisis created by the collision of our EP3 aircraft with a Chinese fighter aircraft off the coast of Hainan Island in international airspace.

In all of the two-term administrations, the second term has normally been more effective in handling the China relationship than the first term, and what that suggests is, we have a recurrent pattern of getting off on the wrong foot in our relations with China. This reinforces the importance of trying to gain a better understanding of why we constantly encounter the same phenomenon and I would argue that the reason is less complex than we might imagine.

To be effective, foreign policies need to be grounded in a sound understanding of the real world that our country has to deal with. Those responsible for foreign policy, therefore, have a three-fold challenge. They must assess the external situation; they must determine the policies best suited to advance U.S. interests within that international context; and they must gain and retain the domestic support necessary for pursuit of these policies.

In other words, domestic considerations are always important. If domestic opinion won't support a particular policy approach, no matter how wise, administrations have to change the way that they try to address that particular set of issues. But domestic consideration should be the limiting factors on foreign policy. They should never be the drivers of foreign policy, because the drivers have to be the external world that we, as a country, must deal with.

Here lies the problem. During election campaigns, both the candidates and their advisors are single-mindedly focused on getting elected and this shifts the focus overwhelmingly to domestic considerations. Too often, they engage in rhetorical excess which produces catchy sound bites, but does not provide the basis for sound policies once they are in office. And this pattern repeats itself over and over again.

This report, the one we're here to discuss today, is important precisely because it represents a serious effort to break loose from this pattern. In its opening paragraphs, it makes a key point in language directed at the president-elect. It argues that getting China strategy right from the beginning of your administration will be critical to a successful U.S. policy on China.

Now most of us would agree, I think, that getting policies right from the beginning makes sense as a general proposition, but there is a compelling reason this time why this judgment is particularly important. The danger that nuclear proliferation could pave the way for the emergence of nuclear terrorism is, I would argue, the greatest threat facing not only our country, but other countries as well.

The six-party negotiations with North Korea have made progress over the past year, but they are unlikely, within the time left to this administration, to achieve the goal of denuclearizing the Korean peninsula. Cooperation between Washington and Beijing has been instrumental in moving these negotiations in the right direction. It would be disastrous if the transition to a new administration were to result in a lengthy delay in these negotiations or a breakdown in effective cooperation between the United States and China in handling this issue.

Continuity is needed and that means that both candidates have the responsibility not to permit short-sighted domestic considerations to derail the negotiations on the critically important North Korean nuclear issue.

This report makes this point forcefully and, in my view, persuasively. It acknowledges that we have differences with China, as indeed we do with every other country. In the case of China, the differences are significant, but it stresses that the urgency of our shared challenges affords no time for posturing that ultimately fails to deliver in critical areas. It urges the adoption of a clear-eyed practical approach that can make steady progress in advancing United States' interests. It calls this approach a progressive strategy towards China that moves beyond the concept of engagement and hedging toward a practical forward-looking risk-management strategy.

The report makes another vitally important point. Obviously, China's rise involves risks for the United States since we can't, despite our best efforts, determine what path China ultimately will take, but it emphasizes that the new administration has a responsibility to help create the international global context for China to rise peacefully. In other words, it's in our interest clearly for China to rise peacefully, but we have a responsibility to help make that possible and to not adopt approaches that will actually work against that possibility. This is a challenge because I think if you read the newspapers and various policy papers that come out, you can see that U.S. views on that question are mixed.

In pursuing this progressive strategy, the report lays out an approach that involves seven elements. I would lay particular stress on two of them. A great deal of our domestic rhetoric about China is aimed at changing that country, so that its nature and its behavior will conform to the norms that we prefer.

I understand and sympathize with the noble impulses that lie behind that mindset, but I wonder if strategies aimed at changing China are any more practical than strategies by other countries aimed at changing the United States. When the shoe is on the other foot, I find that Americans are highly skeptical that other countries have the means, or

even the right, to change us. That's our responsibility. And my experience, both in marriage and outside of marriage, has been that it's easier to change your own behavior than to change the behavior of the other party. This is worth keeping in mind in foreign policy and in personal relations.

For that reason, I was pleased to find that this report stresses two areas where we need to direct our attention in order to improve our ability to deal with a rising China. First, we need to reestablish our moral authority in the world, so that we can reclaim our most powerful asset which is the ability to lead by example. I like to say, because it reflects my experience, that I have never seen any foreigner whose conduct or viewpoint has been changed by lecturing them on human rights or any other issue; whereas exposure to the United States has invariably left a profound impact on the way they view issues of governance, not because they think our system is applicable (the way we operate it) to their own country, but because they see approaches to handling issues.

They see the power isn't all concentrated in one area, that you have a free press that is a check on abusive government power; that you have an independent judiciary that's a check on abusive government power. And they learn lessons from seeing how we deal with our domestic problems. So the power of example is truly powerful, and it's an area where we need to make some improvements.

Secondly, we need to put our domestic house in order so that we can retain our strength and improve our competitive position in a globalized world. We are dreaming if we think that we can deal effectively with a rising China, if we are letting ourselves lose our competitive edge as a nation. There's an enormous task ahead for us, and in essence, we should see China's rise as a challenge to ourselves to do better, because as an American, I, based on experience, believe that when we put our mind to something, we're the best, but we're not putting our mind to the task of putting ourselves in the best possible position to deal with a rising China.

Now, elements in a progressive strategy towards China involve a host of elements that need to be part of a good-risk management strategy. We obviously can't have a just and stable international system if China isn't embedded in that system, and embedded means it has to be part not only of playing by the rules, but in setting the rules and determining the new institutional structures that the international system requires.

We have to be prepared for a whole range of contingencies. China is going to determine its own course, and that may be a good course or could be a bad course, and we have to be prepared for either eventuality, but at the same time, both our policies and our behavior should be aimed at maximizing possibilities for a good outcome, rather than a negative one.

We need to improve our understanding of China. As a China specialist, I would say we do all right in that area, but we haven't improved over the last 30 years. In my judgment, our assessment of China is about as good as it was 30 years ago, whereas China's understanding of us has improved by leaps and bounds over that period, because

they have flooded us with hundreds of thousands of people who have truly learned how our system functions, and who now can both influence their policies and their understanding of us in ways that I think we need to improve on our part.

We need to strengthen our cooperation with China in important areas, ranging from proliferation to climate change, environmental degradation, infectious diseases, and important, dispelling the notion that our policies are aimed at inhibiting China's peaceful development.

And we need to strengthen our ties with other countries, because we can't deal with China effectively if we are isolated, and other countries are more attracted to the way that China is approaching issues than it is to the way we are approaching issues. So within this broad framework, the policy report identifies six areas where the new administration should concentrate its policy efforts. I won't go through these because you have the report available to you.

I will simply say it's a full agenda. Some of them will not be easy for domestic reasons, such as the recommendation that we commit ourselves to substantial mandatory reduction in the emission of greenhouse gases independent of what China may do itself. Others represent significant departures from current policy approaches, such as the recommendation that the new administration initiate treaty discussions on the weaponization and militarization of space, and sign the ASEAN Treaty of Amity and Cooperation.

Others are aimed at managing our increasingly important bilateral economic relationship, and this involves elements that China will welcome, such as continuation of high-level bilateral dialogues and areas where they may be less happy about, which is vigorous use of international, multilateral and, in some cases, unilateral actions to enforce trade agreements and standards.

All of these proposals are serious and they all deserve careful consideration by a new administration, but in conclusion, let me cite a couple of considerations that I think we need to keep in our minds as we think about how to manage our relationship with China.

The first are the results shown by the highly respected Pew Global Attitudes survey which found that 86 percent of the Chinese surveyed were satisfied with their country's direction, while 82 percent thought the country's economic situation was good. The dramatic thing about this survey was that the figures for China were not simply greater than, they were greater by a large margin. In the case of satisfaction with the direction in which the country was moving, the margin was over 20 percentage points.

The United States, the level of satisfaction was in the low 20s. So we see lots of imperfections in China, but let's bear in mind that Americans are not satisfied that our country is moving in the right direction and the Chinese have a much higher percentage

who think their country is moving in the right direction – not perfect, but moving in the right direction.

Secondly, a new survey by the Chicago Global Affairs Council showed that while a significant percentage of Americans are worried about China's rise, in terms of what that may mean for the United States down the road, two-thirds – nearly two-thirds – believe that the right policy is friendly cooperation and engagement. Understanding these results can provide a good basis for sound policies in dealing with China. And in my view, the recommendations in the report released today of the Center for American Progress makes a major constructive contribution to such policy formulation. Thank you. (Applause.)

MS. HACHIGIAN: Thank you so much. Thank you so much, Ambassador, for those lucid, compelling and very kind remarks. I'm going to now introduce the rest of our panelists and we'll continue with our discussion.

Dr. Harry Harding is a professor of International Affairs at George Washington University. Earlier, he served as the dean of the Elliot School of International Affairs. And from 2005 to 2007, he was the director of Research and Analysis at the Eurasia Group, a political risk and research consulting firm headquartered in New York. He is the author of many, many books and articles about China, and was a dedicated and treasured adviser to us on this project.

Michael Schiffer, my friend and colleague and co-author, is a program officer at the Stanley Foundation and he is responsible for the foundation's Asia programs, and also, other global security issues. He is also a fellow at the University of Iowa. Before joining the foundation, he was a Counsel on Foreign Relations International Affairs Fellow based in Japan at the National Institute of Defense Studies. From 1995 to 2004, he worked on the staff of U.S. Senator Dianne Feinstein, and he was her national security adviser and legislative director.

Finally, I want to introduce Bob Sussman, who authored the section of the report that deals with energy and the environment, and to whom we are greatly indebted. He is a Senior Fellow at the Center, and recently retired as a partner from Latham & Watkins, where he headed the environmental practice here in Washington, D.C., for 10 years. During the Clinton administration, Bob served as deputy administrator of the Environmental Protection Agency. As the EPA second in command, he had responsibility for all the agency's programs and played a leading role on global warming, science policy, and the environmental implications of the North American Free Trade Agreement.

So let me welcome you all to the stage. (Applause.) So I think that the ambassador did a wonderful job of summarizing some of the highlights of the report, but I just want to start off by asking all of you – you know, there are a lot of China reports out there. And I was curious in either reading through it, or helping to write it, what you

think are some of the more noteworthy parts of the report. And I think – Harry, why don't we just start with you and move down the line?

MR. HARRY HARDING: Okay. Well, thanks very much. I want to join Nina and Ambassador Roy in thanking everyone for coming today, and for sharing with us some of the conclusions on this very important subject.

Much of what I wanted to say about the importance of the report has already been said, but let me underscore two of the things perhaps that are most important from my perspective.

First, I think that so much of the discussion here in Washington is focused on what's going on in China and what the United States should do directly about it and not enough attention is placed on the broader context. And I think the report creates and provides a sense of that context, a context in the sense that first of all, what we have to do here in the United States to make us more competitive economically, to restore a sense of trust and respect in the eyes of other countries the world, and what we have to do, along with others, to create that broader international context of regimes and institutions into which we want to – to use the report's term – embed China.

Much of this we should be doing not because of China, but because of the fact that we're in a very dynamic world in which there are a number of emerging markets. We need to be doing these things whether or not China is rising. China attracts our attention, and that's an important motivation for us, but I think that we need to look more broadly at that context of a competitive and respected United States working in a world of more robust and effective international regimes and institutions. And putting our China policy in that broader context is, I think, one of the most important and distinctive contributions of the report.

The second one that I would highlight is that I think it describes the present and the future prospects for the relationship extremely well. Again, there tends to be in Washington too much black-and-white thinking about China and our relationship with China. Some stress the positive; some stress the negative; some stress the opportunities; some stress the dangers.

And I think the report gets that balance right, and sees the relationship as containing both opportunities and challenges, as it puts it in what I think is one of the best phrases in the report, that the aim should be to realize the potential of the relationship, while guarding against uncertainties.

So there is an emphasis on both cooperating where the United States and China have common interests, and we think that nonproliferation, global warming are some of those, but also hedging against some of the uncertainties that are apparent about China's uncertain future.

So I think those are two of the things that I find to be most noteworthy about the report – the attention to the broader context, and what the United States needs to do itself to bolster its competitiveness and attractiveness in the international order, and then how to conceptualize the U.S.-China relationship to build in areas of potential cooperation.

MS. HACHIGIAN: Thank you, Harry.

MR. ROBERT SUSSMAN: Thanks very much, Nina. I wanted to thank Nina and the fellow panelists, and also our audience today for their interest in this issue. I wanted to thank the authors specifically for writing a report that I think is a really great report and that I feel privileged to contribute to.

As Nina mentioned, one of the recommendations of the report is that we put climate and energy at the center of the U.S.-China relationship, and I want to talk a bit about that recommendation and what underlies it, and also what it means to make progress on climate and energy in the context of the U.S.-China relationship.

First, the U.S. and China are the world's two indispensable players on energy and climate, and unless those two countries are constructively engaged, both with each other and with the rest of the world, we are simply not going to find solutions and make progress.

It is also the case that climate and energy have been, and still are, very challenging and difficult issues for both countries. The U.S. and China have each stood apart from the global consensus on climate change and resisted deep reductions in greenhouse-gas emissions. The U.S. and China have also pointed fingers at each other, using the inaction of the other country as an excuse to stay on the sidelines. Our mutual mistrust and economic competition have been barriers to finding common ground.

And yet, I would argue that both countries have a strong stake in a new global framework and a common interest in cooperation. The U.S. and China are the world's largest greenhouse-gas emitters. Historically, the United States has made, by far, the greatest contribution to the buildup of greenhouse gases in the atmosphere, but on an annual basis, China has now outstripped the United States as the largest emitter of greenhouse gases. Our energy sectors are also similar. The U.S. and China are heavily dependent on coal for the production of electricity, and importantly, both countries are substantial importers of petroleum.

There are also important differences. Emissions and energy consumption are much lower on a per capita basis in China than in the U.S. Vehicle ownership, while climbing significantly, is much lower as well, and our economies are on different paths. China is investing heavily and expanding its manufacturing base. Our economic growth here in the United States is predominantly in non-industrial sectors of the economy.

We need to keep these similarities and differences in mind as we create a new dynamic for working together. I would argue that the single most important driver for the

United States and for China should be the threat that climate change and heavy reliance on fossil fuels poses to the well being of our populations and the sustainability of the future economic growth. I think this is a driver that needs to be dominant certainly here in the United States and hopefully, it is a driver that will become very important in Chinese thinking as well.

We need to be very clear that climate change will have severe, demonstrable, measurable and substantial impacts in both countries. And we also need to be clear that heavy reliance on fossil fuels poses a serious threat, probably more in China than in the United States, to the sustainability of future economic growth. So we both have a lot to gain by reducing emissions, by improving energy efficiency, by improving reliance on renewable fuels and by reducing fossil fuel consumption.

Now, looking ahead to 2009, climate will be front and center. It will be on the desk of the president on January 20<sup>th</sup>, and that is because 2009 is the year for completing negotiation of a new global climate agreement to replace the Kyoto Protocol. This will require extensive engagement with China, both in the global negotiations and on a bilateral basis.

Our recommendation, which is not uncontroversial, is that the U.S. take a leadership role in forging a new negotiating dynamic by committing to a deep reduction in greenhouse-gas emissions which is not conditioned on specific actions by China. This, we believe, will show our commitment and our good faith. It will show China and the world that we believe these are very important issues that have to be dealt with in the best interest of the world's population. And I think it will challenge the Chinese to show leadership, foresight and vision themselves.

And we would ask the Chinese to commit to a substantial slowing of emissions growth over the next 10 to 15 years with the goal of ultimately reversing emissions growth and reducing emissions starting around 2020 or 2025.

I will stop there and refer you to the report which outlines what we believe this new framework should look like. Thank you.

MS. HACHIGIAN: Thank you, Bob. And in case I didn't – I don't think I mentioned it before. The shorter versions of the report are available in print today, but the full version is available on our website, [AmericanProgress.org](http://AmericanProgress.org).

So, Michael, why don't we go to you next?

MR. MICHAEL SCHIFFER: Sure. I guess there are two things that I'd point to, some of which has already been discussed here today. First, this is very much a progressive product. And as such, it is attuned to a world not just where there are risks, although we are not at all naive about the risks and the challenges that the dealing with China present, or about the serious policy differences that exist between the United States

and China, but that we are very, very well attuned to the opportunities that exist in the relationship.

And we're very well attuned to trying to develop out pragmatic policy options to pursue those opportunities and in so doing, strengthen the relationship. That's one of the reasons why we flagged energy and the environment, as Nina mentioned upfront, and as Bob just discussed, not just a critical issue that we have to deal with in and of itself, but because we see that as an area where there are shared interests, and there's the possibility of creating a pattern of interaction between the United States and China that may lead to some spillover effects that can create virtuous? cycles elsewhere. Again, I don't think any of us are overly optimistic about the possibility, but we see the chance that that may transpire, and would suggest that it's worth pursuing.

The second thing that I'd like to flag is that it's a report that recognizes that elements of a hedging strategy and an engagement strategy are still necessary to deal with China. The reality of China's rise, and China's rise across every dimension of power in the world, the complexity of the U.S.-China relationship, all the different ways and places in which the United States and China are rubbing up against each other in the world today, and frankly, the opacity about China's future trajectory and intentions means that the simple sort of an on/off switch of engage or hedge that has, far too often, been the policy portal for the U.S.-China relationship, just isn't going to work anymore. It's no longer adequate to the realities of where China is at, and no longer adequate to the reality of the U.S.-China relationship, and no longer adequate to the reality of the global order.

That's why we've tried to come up with this term of risk management – and we're open to better ideas for better bumper stickers – as a way of suggesting a policy that will allow us to take advantage of the upside potential where it exists and where it is, and mitigate against the possibility of downside risk where it exists and where it is, and in doing so, be able to keep the larger strategic relationship moving forward.

And the reality of the U.S.-China relationship for the foreseeable future is that it's going to be a rather messy affair. In the six policy areas that we highlight in the report, it's very likely that engaging will make sense for some of those areas; hedging will make sense for others. Even within them, we're going to need a mix of engaging and hedging and other policy tools.

And so this sort of multifaceted approach to China, which is going to be very, very difficult to deal with from a policy perspective and from a political perspective in the United States is something that we are going to have to get used to and have to get good at, if we're going to be successful.

MS. HACHIGIAN: Thank you, Michael. Ambassador, you mentioned in your remarks, and the report talks about the need to embed China in the international order. And you pointed out clearly that that means not just participating in the rules, but also shaping the rules and setting the rules. What are the risks to the United States in that happening, and how do they weigh against the potential benefits?

AMB. ROY: The world's changing, and we can't try to influence the international system based on the old approaches. Much of the international structures were set up by the victors in the World War II. The United Nations is structured along those lines. I think there's a universal recognition that that's no longer satisfactory. People aren't sure how to change it, but it's clear that changes would be desirable, if they could be made, to better reflect the current world.

You cannot bring a country that has nearly a quarter of the world's population into the international system and institutions, and expect them to simply meekly accept the old rules of the game, and not have a vote at the table reflecting the importance of the country and that the weight that their economy and their population gives them. That means they will have more weight, and that means somewhat less weight for the other players.

Is this a bad development? On the contrary – if China is a responsible player, there's no reason why other responsible players cannot share in the setting of global rules, provided they are prepared to live by them also.

MS. HACHIGIAN: If you want to take it – add to that.

MR. HARDING: Yes, maybe take a slightly different cut at the same thing. There's a lot of very interesting debate now as to whether there is an international community, or whether there are still two very different international communities, one of the democracies and one of the autocracies. And I take a position somewhere in the middle on this. I think there is an incipient international community that is rich with common interests, that has increasingly important international institutions at both the global and regional levels, that has increasingly complex international regimes on a variety of issues, particularly in the economic sphere.

There are outliers and outcasts in that community, as there are in any domestic community. There are rule-breakers; there are those who live outside society. And the existence of those does not mean that there is no community. It simply means that that community is incomplete. More importantly, in any community, there will be very important differences over how to make certain key collective decisions. And in truly institutionalized communities, there will, of course – in democracies, there will be competing political parties.

And increasingly, I see the way that I look at it as that we have, in a sense, two political groupings in the world. And the United States and China, while sharing many common interests, do not always see eye to eye on how to advance those interests.

I described China as a member of what I call the conservative populist in the international community – populist in the sense that they do see themselves, as we saw most recently in the Doha Round, as a developing country and representing the interests of other developing countries. We've seen it in Doha; we're seeing it in the early

discussions of the post-Kyoto mechanism, where the Chinese and the Indians and other developing countries are saying, you established elites have to cap and cut first, and then we poorer, emerging economies will decide later how far we're willing to come down to meet what we acknowledge to be a global problem.

Conservative in the sense that, like conservatives in the United States in earlier years, they believe in what we call state's rights. That is the sovereignty and the inviolability of the constituent members of that international community. As we all know, the Chinese have a very strong commitment to the principles of national sovereignty and territorial integrity. It makes them seem to us very old-fashioned. To them, they are, as good conservatives, upholding traditional values in the international system.

So the challenge, the downside to us, is that as we create this emerging international community, and identify common interests, we are going to differ very much with the Chinese over how to approach and solve and manage those issues. We will both be appealing to the undecideds in the international community, competing as to which set of options those undecided or swing voters will decide in the end of the day to accept.

So is this a downside? I suppose it is. The upside is that's we'll be talking about the same issues; we'll be competing within an increasingly institutionalized international order, but I think we shouldn't be naïve about the extent to which we and the Chinese will see eye to eye on how to solve problems, even if we acknowledge how important they are.

MS. HACHIGIAN: Thank you. So Michael, why don't I go to you next? We had many discussions about the limited nature of the leverage that the United States has over China. What would you say are the best ways – are the sources of leverage and the best ways to capitalize on that leverage when we are in policy areas where we do disagree?

MR. SCHIFFER: Well, one of the areas that we highlight in the report, which I think is one of the more important ways in which we can conceive to shape an environment in which China will respond more positively on any number of policy issues, is by seeking to both more effectively embed China in international norms and institutions and practices, and also work much more effectively, and through multilateral means, with other countries to put pressure on China to live up to its agreements, in some cases, or change its behavior in other cases.

We know, based upon our observations of how China's behaved over the past 30 years, that they hate being an outlier in the international system, be it on a given issue or in a certain institution. When they find themselves isolated, and when they find themselves on the other side of the table from most of the rest of the international community, China will, as often as not – more often than not, seek to moderate its behavior.

We had some terrific examples of that in the nonproliferation field, for example, where China was a fairly bad actor in many ways in the 1970s and the 1980s into the 1990s, exporting missile technology to Pakistan, for example. When we were able to create a sufficient international coalition to bring pressure on China, they started to modify their behavior, and they're now, on that set of issues, a responsible actor by and large.

None of these cases are absolutely perfect, but they're indicative of ways in which we can, if we work with others, seek to create the sort of structure of choices for China that will lead them to the right place. And I'd offer, as a counterargument on that, that on any number of the issues right now that – where we find ourselves at loggerheads with China, be it in Burma, be it at the Doha Round, be it in dealing with Sudan, one of the reasons why we don't have the leverage that we might otherwise is because there are other players, sometimes even us, that China is able to hide behind and use to justify its bad behavior.

And if we were able to be more effective in our diplomacy, be more effective in the way in which we pursue our policy through multilateral institutions, I think that might offer a very good way to go about shaping Chinese choices in the years ahead.

MS. HACHIGIAN: Thanks, Michael. Anyone else want to add to that? So Bob, why don't I ask you then, you mentioned that our recommendation is to cut our own emissions without asking for similar or reciprocal cuts from China, and that, I'm sure, strikes many as just tying one hand behind our back. How are we going to stay competitive if we absorb those additional kinds of costs?

MR. SUSSMAN: That's a very good question. And there is – as many of you know, there is great fear and concern in the United States about giving China a further competitive advantage over the United States by having the United States agree to deep, and people would say costly, greenhouse-gas emissions while the cost that the Chinese are bearing is lower. And therefore, as a result, Chinese goods become more competitive, and American goods become less competitive. And that's a legitimate concern, but we need to keep it in context.

First of all, we need to remember that reducing greenhouse-gas emissions creates opportunities. It doesn't only impose cost. It creates significant economic opportunities for the United States by helping to jump-start new industries like renewable power, where, if we play our cards right, we could play a global leadership role. So we shouldn't assume that a climate change regime is going to hurt our economy. There are significant opportunities there as well.

Secondly, we need to be, I think, precise and rigorous about the areas in which a climate change regime, a global climate change regime, might hurt the United States competitively, and in the areas in which it will not matter. And I think that if we are analytical, we will find that many sectors of our economy will stand or fall on the global

stage, independent of the greenhouse-gas reduction requirements that either we or the Chinese have to bear.

The third point I would make is that if our analysis does demonstrate to us that there are industrial sectors and workers in those sectors that are endangered competitively by a climate change agreement, then we need to take steps to protect them. And I think we should be very clear about that in our own domestic debates and in our international discussions, which is to say that hand in hand with reducing greenhouse-gas emissions, which we view as an economic and moral imperative, is helping our country and our economy absorb the transitional costs. And if there are losers, those are people we're going to help, and we'll try to do that with minimum damage to the U.S.-Chinese trading relationship, but we are not going to allow at-risk workers to suffer.

So I would say, in summary, three things. Number one, focus on the economic opportunities of reducing greenhouse-gas emissions; number two, be rigorous and analytical about the areas of the economy that are at risk and the areas that are not at risk; and number three, protect those industries and those workers that are, in fact, threatened.

MS. HACHIGIAN: Thank you, Bob. So I'll ask one last question, and then we'll open the floor up to your questions. And this could be for the ambassador, Michael or Harry. We saw in the Democratic primary a lot of debate and concern about China's impact on the U.S. economy that it's taking our jobs, and that now, increasingly moving up the high-tech ladder, it's going to take increasingly good jobs from the United States.

So I want to ask a broader question than that though. Not so much about jobs, but how should the United States respond to the economic and the growing economic strength of China?

AMB. ROY: I'll start. I think we've already hinted at what the report says and I completely agree with it. It is very important to continue to work on creating the so-called level playing field. We have a good start because we had a very successful – a very tough but successful negotiation with China on the terms of its entrance into the WTO.

And as the report indicates, it's now very important to use the WTO enforcement dispute resolution mechanisms to make sure that it's living up its obligations that involves developing our capacity by strengthening USTR, USITC, and making sure those recommendations of those bodies are followed to really take cases to the WTO mechanism when we think China has violated its obligations.

We also have the opportunity – I'm not sure that the report talks about it – the Bush administration has now begun a negotiation with China on a bilateral investment treaty, which would begin to create the same kinds of obligations in the area of investment that the WTO did in trade and in trade-related investment rules. That would be important to conduct successfully and to have that enforcement process built into that as well.

But even if you create a level playing field, that doesn't mean that your team is going to win, unless that team is competitive. And I think it is important that the report places equal emphasis on making the United States as competitive as it can possibly be, so that Americans are confident about their ability to thrive in a globalized world and that's where Americans are not confident at all.

We talked about the gap between the way the Chinese think about their country and the way Americans think about ours. Another very similar set of statistics from a few years ago asked people in both countries about their degree of confidence about their prospects in a globalized world. And the Chinese, once again, were far more optimistic about their country's prospects in a globalized world than are Americans. We have to restore that sense of confidence.

And here's another progressive thought. That requires smart, appropriate actions by government to make sure that we have the human and the physical infrastructure that we need to make our society competitive, to deal with problems of physical infrastructure, deal with problems of education, deal with problems of health care, deal with the problems that are holding us back.

I worry very much, I think, increasingly about the old Aesop's fable about the tortoise and the hare. The Chinese are moving very fast; we're moving very slow, except the animal sitting by the side of the road not doing anything, resting on its laurels and relaxing in the sun, is not the hare; it's the tortoise. And I think it's time that we get our act together and begin to compete more effectively and become more confident of our ability to thrive in a globalized world.

This is not a China issue. If it weren't China, it would be India; it would be Brazil; it would be any number of ambitious, emerging markets. It happens to be China, but this is an issue of America's response to globalization, and I want that response to be progressive and enlightened and successful. And I think that that is one of the most important conclusions that comes out of this report, and it's a conclusion that says far more about us than it says about China.

MS. HACHIGIAN: Harry, do you want to add to that? Okay. Why don't I then turn – open up the floor to your questions. Here in the blazer.

Q: Bill Jones from *Executive Intelligence Review*. One question on the energy and the other one on the economy. Obviously, the Chinese are very concerned about the whole environmental situation and many of these alternative energy, solar wind, and the like are being experimented in many parts of the economy.

However, an economy the size of China is going to lead energy-dense development in which solar and wind and these things will simply be a marginal – have a marginal effect on the overall economy. They're going nuclear. Now, we're likely to have an administration that is very neutral on the issue of nuclear energy, if not

downright negative. With this, I think would limit our ability to affect this collaboration in the energy sphere, which China is going to need in order to develop as a fully developed economy. How do we deal with that problem?

Secondly, on the economy, if we do, as Dr. Harding indicated – and I hope we do do – I think it will be the first issue on the next president’s plate of trying to retool the U.S. economy to become again an industrial economy, and not simply a consumer economy that buys cheap all over the world and lets our own industries go into the rust bucket. We’re going to have to begin producing the things that are needed for the world, including those things needed by China.

And given the ability of our labor force, which is better paid and really potentially better qualified, to produce things, we could produce a lot that China really needs and they can’t produce themselves. However, we have a lot of restrictions in these areas because they all happen to be kind of dual-use technologies, and somehow, we’d have to come over that hump to be able to produce things that China really wants to buy in order to prevent this kind of retooling from becoming a problem in the relationship. I wonder if you want to comment on that too.

MS. HACHIGIAN: How about you start?

MR. SUSSMAN: Okay, I will start. First, don’t sell short the potential advantages that China can achieve by developing renewable energy resources. The Chinese, in fact, are keenly interested in renewable energy. They have set some renewable energy targets. They are, I believe, the largest manufacturer in the world of wind turbines and I think it’s reasonable to expect that in both countries, in China and the United States, renewables can account for between 25 and 35 percent of total energy production, not right away, but certainly within the next 15 and 20 years.

I would also say that the Chinese have a very strong focus on energy efficiency. In fact, in some ways, their focus on energy efficiency, I think, is ahead of the United States. They have set some very ambitious goals for reducing energy intensity. They are targeting the largest enterprises in the economy to achieve those goals. They have fuel efficiency standards for automobiles, which are stronger than the fuel efficiency standards that we have here in the United States.

And I think as we look down the road, energy efficiency is going to be very important to the Chinese and to the United States. And I think in that area, as in the area of renewables, we should be – both countries should be looking at very ambitious goals, and there’s no reason why the Chinese should do less than us and no reason why the U.S. should do less than the Chinese.

On the subject of nuclear power, I can’t obviously anticipate what the policies of a new administration are going to be on nuclear power, but I doubt very much that a new administration is going to say to China, “We do not support your efforts to reduce greenhouse-gas emissions by building more nuclear plants.” If they decide that they want

to build more nuclear plants, and those plants play an important role in an overall strategy for reducing greenhouse-gas emissions, I don't think the United States is going to be supportive – is going to be opposed to that. I think we will say, "The decision of how you reduce your greenhouse-gas emissions is your decision, just as the decision we make here in the United States about what we're going to do to reduce our emissions is our decision."

So I don't see the Chinese interest in nuclear power as being any type of impediment to cooperation on the largest goal of reducing our collective greenhouse-gas footprint.

MS. HACHIGIAN: So the second question had to do with retooling our economy and also dual-use technologies. Michael or Ambassador, do you want to –

MR. SCHIFFER: Yes, if I can hop in for a second. I think the question also opens up a larger issue, and that's that if we can be clever and smart and forward-leaning in terms of how we approach these issues, there may be some unanticipated opportunities that have larger political and strategic implications that we can take advantage of.

When I think of energy efficiency, for example, and China's needs, that's a natural area for the United States to turn to one of our most important allies in the world, our most important ally in the region, Japan, which is a world leader in energy efficiency, and see if there are opportunities to create a trilateral U.S.-Japan-China partnership. And that's an initiative that would have benefits, obviously, sort of immediately on – for trade and the economy would have benefits presumably on the climate-change front. But it also may, again, have some spillover benefits that help destabilize the political relationship between China and Japan that at times has been less than healthy.

So I think when you start to play out how any number of these issues come together, there are opportunities for a new administration that's willing to be clever and creative and really try to get out ahead of the curve diplomatically to come up with solutions and approaches that may be able to get us some significant traction in the region.

MS. HACHIGIAN: Okay, another question.

Q: Don Purcell Catholic University School of Engineering. I teach a course on global technology standards in the graduate program for engineering management. Global technology standards, according to the Congress, account – directly affect more than 80 percent of world trade with an estimated value of \$7 trillion. There are approximately 2,500 universities and colleges in the United States. There are only three schools of engineering that offer a standardization course in the graduate schools. Catholic is one, the University of Boulder Colorado and the University of Pittsburgh.

And my question to the panel really is if these standards are so critical and they have such a dramatic effect on our economy, both the U.S. and the global economy, what

do you think will be the position of the United States in being able to maintain its position in the world economy in the next several years?

There is at least one major report out that 50 percent of the people who do the work, who negotiate these complex technology standards, are going to retire in the next five years. And so as we go forward, if we don't have the people, the next generation that has been trained and educated to work in a very complex environment – the ambassador mentioned it briefly in his remarks about the standardization issue – what do you think – and it's not just a China issue according to Dr. Harding. It's right on target with his comments, as a matter of fact. Where do you think the United States is going to be if we can only muster three universities that offer an education program in such a critical area?

MS. HACHIGIAN: A great question and it seems to be symptomatic of a broader problem the United States has in science and technology education, but Ambassador or Harry, if you want to respond.

AMB. ROY: It's beyond my level of expertise. I think we need more than three, but how many more, I'd have to delve into the issue.

MR. HARDING: I think there are two questions here. One is that this is an example of the problems that we have in having an adequate number of scientists and engineers. We're going to be – the answer to the earlier question about where do we see our economy going, the obvious answer is high value-added and I think it has to be some mix of services and manufacturing. If it's manufacturing, it obviously is going to have a very, very significant scientific and technological component to it.

We have comforted ourselves, again tortoise-like, sitting in the shade on the side of the road, the idea that well, we may not have very many Americans who are interested in studying science and engineering, but we have foreigners who come and then they stay on. As a point of fact, I would guess that fewer and fewer of them are staying on. Many of them are going back to their home countries. That certainly is the case in China, where there are now great opportunities.

So if we don't have Americans studying science and engineering, and we don't have foreigners studying here and staying – this is let alone the question of how competitive our universities are going to be over the longer run against very ambitious rivals and competitors in other parts of the world – we really are going to have a very important human resources problem. In fact, I think we already do.

It's the area of technical standards that I don't know that much, except that the big debate with regard to China is the Chinese attempt to have their own standard for 3G third generation telecommunications. So far, according to the *Financial Times*, which did a little in-house survey with their young female office staff, the bottom line was in the words of one, "It sucks," the Chinese early 3G, but I'm not sure what conclusions one

should come up with. The point is that this will be another area of competition and we need to make sure that however that game is played, we're able to deal with it effectively.

The technology will be one part of it; the politics will be another. And on that side, I also, like Stape, have to plead that I've been over my depth beyond what I've said, but thank you for raising the issue.

MS. HACHIGIAN: Thank you. Yes, you in the blue shirt.

Q: Chia Chen, freelance correspondent. This brief report said that re-establish a U.S. moral authority is the key to effective bilateral relations with China. Could members on the panel elaborate ways to implement this critical item? Thank you.

MS. HACHIGIAN: Thank you. Anybody want to take that?

AMB. ROY: Yes, let me take that. I was ambassador in China during the period when human rights was very high on our agenda. And we had seven areas where, in one year, we were instructed to achieve fundamental improvements in China's human rights practices, and this included a whole bunch of prison issues involving access by the International Committee of the Red Cross to prisoners. It involved habeas corpus issues, not having people held without any knowledge or information available about how they were held.

And if you've been following the debate in the United States in recent years, you'll find that all of the issues that I, as the official U.S. representative, was raising with China are issues that the American people are raising with their own government about how we're behaving.

So when we talk about the need to recapture our moral authority, it means that our standing to raise the human rights issues, which we are accustomed to raise in other countries, because we've had to struggle throughout our own history with serious human rights abuses going back to slavery, Jim Crow, discrimination, a whole range of issues.

We have a habit of struggle and high profile on these issues because of our own deficiencies, not because of the deficiencies of others, but if we want to have a high profile on it, we have to have high standards. And I think we've let those standards erode, and that's where we need to regain our moral authority.

MS. HACHIGIAN: Thank you. I think as a symbolic gesture, closing Guantanamo would be number one on the list for the new president, but the list could go on and on from there.

Yes, here in the front.

Q: Nick Consonery from the Eurasia Group. I wanted to go back to this notion of getting off to a good start and I was thinking about the challenges that an incoming

administration will face in dealing with the China relationship. One of the biggest potential pitfalls that I see is this issue of arm sales to Taiwan and essentially the possibility that this could fall into the lap of an incoming administration.

And so my question is what policy recommendations do you have regarding this issue and regarding handling the broader China-Taiwan relationship in general? Thanks.

MS. HACHIGIAN: Harry, do you want to –

MR. HARDING: I'll take it. I'm not sure if the report speaks specifically to the timing of American arms sales. It does talk in general terms about maintaining continuity in our policy towards Taiwan. It's probably one of the most obvious areas where we are calling for continuity, rather than for dramatic change. Ambassador Roy mentioned in his opening remarks some of the areas where we are calling for change, and this is one of the areas where we aren't.

My hope is that the – first of all, the arms sale package that we are talking about was, of course, requested by Taiwan and at least sympathetically agreed to by the United States a long time ago. It has been held up because of the inability of the Taiwanese legislature to appropriate the funds. That deadlock has now been broken.

And while I can understand that the new administration would want to make sure that the cross-Strait relationship was off to a good start with the election of a new administration on Taiwan, it seems to me that enough progress has been made for the Bush administration to be in a position to make a reasonable arms sale to Taiwan, in other words, to present the sale to the Congress while it is still in office precisely to minimize the risk, Nick, that you just mentioned, that it would be on the shoulders entirely of the new administration.

That does not necessarily mean that we sell all of the elements in that earlier package. It certainly doesn't necessarily mean that we agree to sell the upgraded version of the F-16. But it does mean that I think that we need to put to rest any idea that there has been some kind of so-called freeze – not the word anybody in the administration has used – it's a press term – but any kind of longstanding freeze on American arms sales to signal that this is one continuous aspect of American policy, but to underscore that this is always done with an eye to maintaining a balance in the Taiwan Strait and maintaining a reasonable defense capacity on the part of Taiwan.

MS. HACHIGIAN: Thanks, Harry. Okay. We will take one more question, and then I'll leave a few minutes for any closing statements by the panelists.

Q: Hi, Paul Wander from the Inter-American Dialogue. First question is what are the candidates saying so far on these issues? Second question, it seems like you've outlined a good number of the nodes of tension that have existed in U.S.-China relationship before and then some possible nodes of cooperation which you would

advocate moving towards energy, Korea, those issues. How do we keep the nodes of cooperation from becoming nodes of tension?

MS. HACHIGIAN: Who would like to jump in on either of those?

AMB. ROY: Briefly, let me comment on that. One of the common issues that we note in anticipating the transition is that there are going to be a host of other demands for the time of a new administration that are unrelated directly to China. We have the problem of our economy; we have the problem of Iraq and other problem in the Middle East. We're right now in a problem with Russia relating to Georgia. In other words, a new president is going to have a host of demands for attention, and East Asian policy and China relations is only going to be one of them.

So the first requirement is the ability to prioritize wisely. And the North Korean nuclear issue, in my judgment, has to be a high priority issue for any new administration and they have to recognize the dangers of permitting a gap to occur. If you recall, the North Korean nuclear test occurred during a previous gap in the Six Party Talks. Another lengthy gap could produce more nuclear tests and make the problem unsolvable. So that's a big danger.

How do you handle the tensions? The tensions in the relationship right now, in my judgment, are manageable. I think the Bush administration deserves credit for having kept the relationship with China on a relatively even keel. The Chinese have obviously been contributors to that outcome. I think the setting up of the Strategic Economic Dialogue was an extremely wise move because for the first time, we have had a broad range of our senior policy officials sitting down with their Chinese counterparts frequently enough so they actually know who they are and have some sense of how they approach issues. This is vital to managing international relations, just as it is in interpersonal relations.

We do not spend enough time getting to know the people that we need to deal with when crises emerge. And this means that – whether it's human rights or whether it's economic issues or whether it's the most sensitive strategic issue, in every case you want to know the other party and you want them to know you, so you have some ability to use the personal factors to move ahead the difficult substantive issues. I think we're positioned to do that, but not if we neglect continuing this process.

MS. HACHIGIAN: Thank you. Michael, do you want to add anything about the candidates before we wrap up?

MR. SCHIFFER: Not particularly. I think both candidates have themselves done a fairly good job of characterizing where they are in the relationship and the issues that they see at play between the United States and China. And I'd suggest that – to any and all that have an interest to pop on to their respective websites to see what they themselves are saying. I'm not going to try to characterize things here, and inevitably and invariably get something wrong, and then who only knows what happens after that. So it's a risk I

prefer not to take, as long as we're adopting a risk-management approach to things. (Laughter.)

AMB. ROY: Sounds like you're hedging. (Laughter.)

MS. HACHIGIAN: So we have a few minutes left. If – for our panelists, if you want add any closing remarks. Harry, you want to start off?

MR. HARDING: Yes, because I'm thinking of the issue of what I call bandwidth in our ability to deal with not just China, but with other issues. It's absolutely right that the new president is going to have an awful lot on his plate and the prioritization is going to be absolutely essential. And I think one of the most important points that this report makes is that China has to be one of those priorities, but I think we also need, as we set priorities, to expand our ability to deal with a full range of international issues.

We are a superpower and that means that we're supposed to be able to do more than one thing at a time and to be able to deal with the top priority international issues in addition to Iraq and Afghanistan and the Six-Party Talks. Many of us are concerned at the way in which we really haven't had sufficient bandwidth in Asia.

We have a situation in which a very dedicated career official, Ambassador Chris Hill, by his own account is not so much the assistant secretary of state for East Asia Pacific affairs, but as he puts it, the assistant secretary of state for North Korea, meaning that the other parts of his portfolio, by his own account, are not getting sufficient attention. That simply is not acceptable.

We have to be able – this is one of the few times I still quote Mao Zedong. Mao said, "A leader needs to know how to play the piano," which means he has 10 fingers and he's got to be able to use all 10 of them at a time, rather than simply the index finger of each hand, Johnny one-note or Johnny two-note.

We do need to expand bandwidth in dealing with a variety of issues and we need to ensure that China and U.S.-China relations is one of those top 10 issues that we're playing in our full two-handed approach.

I think it would be a good idea – the report hints at this; I'll say it a little more bluntly – I think it would be a good idea to continue, in some form, the Strategic Economic Dialogue. I think it has been productive as a way of bringing issues to the highest level and encouraging coordination on the Chinese and American sides of bureaucracies that are often very stove-piped.

I would go even further into say that in addition to the strategic economic dialogue, it might be a good idea to have a strategic strategic dialogue – in others word, to do the same thing on the geopolitical side. We have it in a way with the so-called Senior Dialogue headed by the deputy secretary of state that is interagency. There are people from the NSC and from the Defense Department on it.

But what would happen if we raised the level and had a cabinet-level approach to deal with some of the security and geopolitical, regional and global issues, including proliferation, that are not part of the strategic economic dialogue? This would be a way of getting issues higher on the agenda where they belong, without relying entirely on summit meetings by an overburdened president. It would be another way of increasing bandwidth. So this is not an idea that's anybody's but my own here. Some of it is alluded to in the report, but I take responsibility for this idea, whether it's a good one or a bad one.

MS. HACHIGIAN: Thanks, Harry. Bob?

MR. SUSSMAN: Yes, I would say that climate and energy represent a very promising opportunity for the United States to exercise the type of global leadership that I think a number of us have been calling for to present a new profile to the world and new way of looking at things which injects new energy into issues where we have reached an impasse because of old thinking and our inability to get beyond old thinking.

On climate change, we are in a situation where China and the developing world say to us, "You folks need to reduce your emissions to a greater extent. You need to do it sooner than we do, and the reason for that is that you have contributed the great bulk of the problem. You have contributed the great bulk of the greenhouse gases that are in the earth's atmosphere, and not only that, you have benefited from that. You have benefited from that because your reliance on fossil fuels. Your energy-intensive economy has created a high standard of living, and that high standard of living has given you amenities that third world countries still aspire to."

And we, on our end, say to the Chinese and the developing world, "Well, it's fine to talk about what happened historically, but we have to look forward and when we look forward, it's clear that China and the developing countries are going to be contributing the bulk of greenhouse-gas emissions growth in the world."

And so if we want to solve the problem of climate change going forward, the developing countries need to shoulder a very major share of the responsibility. And in the past, those two perspectives have more or less cancelled each other out. And the United States has said, "Well, we're not going to act on climate change until China and the other developing nations step forward." And China and the other developing nations have pointed their fingers at us and said exactly the same thing and that's the dynamic that we need to break out of.

One way to break out of it is for us to say to the world, "Climate change is a serious threat. It's a threat to the well being of our population. It's a threat to our economy and it's a threat that we have a responsibility to deal with and we're going to deal with it. We're going to step out and we're going to deal with this issue. We're going to do what we think is right for us as a country, given our economy and our energy

system, and our history. And then we're going to challenge the rest of the world to come along."

Now, that may seem like a risky proposition, but I would argue that it is, in fact, a less risky proposition than a continuation of the current dynamic, which is likely to result in no global agreement on climate change and likely to create a world 25, 40, 50 years from now which is in much greater turmoil and facing much greater threats than the world is facing today.

So let's look at these issues as an opportunity for leadership. Let's look at them as an opportunity and if we do that, perhaps others will adopt the same frame of reference.

MS. HACHIGIAN: Thank you, Bob. Ambassador?

AMB. ROY: One point that's in the report and that hasn't been pulled out, but I think is very important, and that's the need for sustained and regular consultations with Congress on China policy in order to forge a coalition that can support a progressive China policy. Congress is a very important part of this process. I think that far too few members of Congress visit China.

The reality – I don't think I'm mistaken – it's based partly on information from the American ambassador in Beijing, but none of our three final presidential contenders, meaning Hillary Clinton, Senator Obama, and Senator McCain, has visited China in the last eight years. That's an intolerable situation. They're aspiring to be president of the United States and they haven't visited in eight years a country that has changed remarkably in the course of that eight-year period. If 25 percent of the members of Congress visited China every year, it would not be too much, and yet they don't visit anywhere near those figures. We need that.

Secondly, picking up on the energy issue, we need to change our domestic debate on these issues. Energy is a global issue. Issues of the efficiency of American automobiles is not an American issue; it's a global issue. If China reached our level of prosperity with our levels of car ownership and consume more gasoline than the entire world consumes now; it's impossible.

So in other words, with 1.3 billion Chinese and 1 billion Indians, growing as rapidly as they are now, issues of energy conservation are global issues, and our domestic debate on the question needs to take into account the need for more efficient use of energy sources so that other countries can improve their standards of living and improve their energy efficiency. It's simply not part of our debate now, and it's a great, great gap in our understanding of how we need to behave in the world.

MS. HACHIGIAN: Thank you. Michael?

MR. SCHIFFER: Well, I guess just in closing, with this report, I think we've tried to lay out what we hope is a clear-eyed and pragmatic approach to the challenges, the risks, and the opportunities inherent in the U.S.-China relationship and the importance for the next administration to get China right from the outset.

China's future remains highly uncertain. We can't assume that the stability that's characterized the past 30-odd years can is going to continue in the relationship, nor should we assume, as some do, that conflict is inevitable. The United States can't determine China's future, but if we are able to face our own challenge, get our own house in order, we have an opportunity to work with China, to tackle both China's own problems, as well as our shared goals on the global agenda.

The next administration has a significant opportunity, I think, to try to work with China to shape the conditions which may produce a more stable, secure, and perhaps liberal China, one that's a pillar of regional stability and prosperity, than one that's embedded in the web of norms and responsibilities that come with being an active participant on the world stage. If we were able to do that, if we were able to at least move the needle a little bit in that direction in the next administration, that would be a significant accomplishment and that is what we're trying to lay out the options for with this report.

MS. HACHIGIAN: Thank you all so much. Thank you, Harry and Bob and Ambassador and Michael for a great discussion today, and thank you all for coming. (Applause.)

(END)