

THE BROOKINGS INSTITUTION

**PRESS BRIEFING: PRESIDENT OBAMA'S MEETING WITH
PRESIDENT XI JINPING OF CHINA**

Washington, D.C.
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P R O C E E D I N G S

MR. NASSAR: Well, my name is David Nassar. I'm the Vice President of Communications here at Brookings. I just want to welcome of all you to this event. I want to thank the Foreign Policy Program and the Global Program at Brookings for organizing this and specifically Gail Chalef and Mao-Lin Shen. And I'm going to turn it over to Mao Lin who is now going to moderate the round table.

MR. SHEN: Okay. Welcome everybody. You all have gotten my email and so to introduce we have Jeffrey Bader who is Senior Fellow International Diplomacy at the Brookings Institution's Foreign Policy Program. Dr. Bader returned to Brookings after serving in the Obama Administration as a Senior Director for East Asian Affairs on the National Security Council from 2009 to 2010. Prior to his appointment at the Obama Administration, Dr. Bader was the first Director of the John Thornton Center here at Brookings on China.

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And then to my left here was have Eswar Prasad. He holds the new Century Chair in International Trade and Economics here at Brookings. He's also the Tolani Senior Professor of Trade Policy at Cornell University. Prior to being at Brookings he was previously the head of the Financial Studies Division and the China Division at the IMF.

And then Dr. Cheng Li is a Director of Research and a Senior Fellow at the John Thornton China Center and in the Foreign Policy Program at Brookings. He focuses on the transformation of political leaders, generational change and technological development in China. He can talk about domestic politics in China as well.

So, why don't we kick it off with Dr. Bader and then Eswar and then Dr. Cheng Li?

DR. BADER: I'll sure be happy so just will it be -- it might be useful for some of us just to know who's here and then who's on the phone. Is that be?

MR. SHEN: Sure. We could go around and

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introduce ourselves.

DR. BADER: Just what entities these people are with.

MS. MANDEVILLE: I'm Laure Mandeville, the Chief US Correspondent for the French Daily, Le Figaro.

MS. KELEMEN: I'm Michele Kelemen with NPR.

MR. Quéméner: Tangi Quéméner with AFP.

MR. MADHANI: I'm Aamer Madhani with USA Today.

MS. CLARK: Lesley Clark with McClatchy Newspapers.

MR. CONDON: George Condon with National Journal.

MS. CALMES: I'm Jackie Calmes, New York Times.

MR. CLINE: Ken Cline, Voice of America.

MR. SHEN: And then on the line?

MS. PARSONS: Hi, I'm Christi Parsons from the Tribune Newspapers.

MS. LERER: Hi, Lisa Lerer from Bloomberg.

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MR. TAYLOR: David Taylor from the Times of London.

MR. PETER: Peter (inaudible).

MS. YELLIN: Jessica Yellin from CNN.

MR. SHAW: Joe Shaw from NHK.

MS. NELSON: Colleen McCain Nelson from the Wall Street Journal.

MR. DUNHAM: Rick Dunham, Houston Chronicle.

MR. GERSTEIN: Josh Gerstein with Politico.

MR. SHEN: Okay, great. Thank you, everyone.

DR. BADER: Okay, thank you. That's a good turnout. And I think a demonstration there's a lot of interest in this event. I'll just talk for a few minutes. I'd much rather get into questions and answers than speechify you all.

This is obviously a very important event and a somewhat special event. There was, you know, President Obama met with Hu Jintao I think about a dozen times in his first time. There was, I think, some unease in the White House and US Foreign Policy

establishment generally about the large gap that might be developing before President Obama. And President Xi would have a chance to meet in the normal course of events the first opportunity probably would have been September at the G20 meeting in St. Petersburg.

So, a decision was made on the US side and the Chinese side to try to do something sooner. I think the feeling, even though it was coordinating calendars, there's always a challenge, the feeling was that there really was a special opportunity here and a necessity to try to get this relationship onto a higher level and to do it sooner rather than later. Part of it is the opportunity presented by China's new President Xi Jinping.

As you know, he just assumed the Presidency in March at the National People's Congress Meeting and just assumed the General Secretaryship last Fall. So, he's new. And he's a different kind of Chinese leader than we've seen in the past. He is someone who is clearly comfortable with give and take, with informality. He's not someone who needs to be

scripted or likes to be scripted as much as past Chinese leaders.

And I think therefore, the White House felt that they could arrange a meeting with him that would be of a different character than the past meetings. The past meetings have basically taken two forms. One is on the margins of International Meetings like the G20 and APEC and East Asia Summit. Two is State visits. State visits to China, State visits to the United States.

And the Chinese have always insisted that the first visit by a Chinese leader must be a State visit. I've gone through this for 25 years with the Chinese and have the bruises to show for it. We've always liked something more informal and frankly we've never gotten it.

In this instance, Xi Jinping I think perhaps to the surprise of some, somewhat surprisingly, decided this was a good idea and agreed. I mean that's part of the big story here is that he was willing to have a meeting in California, not in

Washington, not a State visit. No 21 gun salute, no White House welcoming ceremony, no State dinner, the Chinese have always felt that the celebratory and protocol aspects of the visit were a big part of what the meeting was about in terms of their demonstrating to their own public that they're treated with respect.

Xi Jinping is apparently sufficiently comfortable and doesn't feel he needs that. So, we have this meeting in California which will be -- allow for much more extensive discussions than the normal meeting on the margins of a multilateral meeting. There might be -- I don't know the exact schedule but I would say probably about three times as much time they'll have together to talk over the course of two days in small groups. My guess is they'll have some one on one time and the meetings themselves probably won't have more than, I don't know, five or six people on each side.

I'm used to meetings with the Chinese where you have 20 or 22 people and you have bleachers in the back. So, you have a much more candid, different kind

of discussion in this kind of setting.

The last thing I'd say by way of introduction, not take too much of the time on intros here is I think that there'll be three dominant issues. This is a meeting, you know, the White House always likes to say before meetings that it's not about deliverables, it's about relationship. It happens to be true in this case. This really is about building a personal relationship between the two and trying to, I won't say develop a road map but develop a sense over the remaining years of the Obama Administration and Xi Jinping's first term about how we build a more cooperative, substantially more cooperative relationship between the two sides and to try to get the two Presidents comfortable with each other, to build some personal trust to do that.

I'd say that -- so, I'm not looking, there will probably some announcements of some kind, there invariably are but that's not really what this meeting is about. It's about the relationship building aspect. But I think three dominant issues: the issues

would be North Korea, to be the economic relationship and its various manifestations bilaterally and multilaterally and cyber issues.

They'll have enough time to talk about everything but those I think would be the three top ones. That's all I'll say by way of introduction.

MR. SHEN: Okay. Eswar?

MR. PRASAD: So, this is a very opportune time for the two leaders to meet. The political season is behind the US and the leadership transition in China has mostly passed. The leaders in both countries are now very focused on their domestic economic agendas which creates a little bit of space to foster what I think is a very important bilateral relationship in both economic and political terms.

The informality of the setting as Jeff pointed out is a very important issue. China's clearly comfortable with itself and doesn't need any further ratification of itself as a great power. And I think there is a strong sense right now that these two powers are jostling a little bit and getting to

know each other better. There are going to be bumps in the road, some small, some big and having a very informal relationship both at the senior levels and also at the technical levels is going to be very important to get through these innovative bumps in the road and smooth over them.

On the economic front, again there is space for a much more productive relationship to be fostered between the two. The traditional flashpoints between the two countries, the currency issue and trade have sort of diminished as flashpoints and they remain minor irritants in the regime because the US would like China to move forward on its currency appreciation. But the real opportunity here lies in the fact that China and the US now have a commonality of interests.

The Chinese leadership has made it very clear that it intends to move forward aggressively with the domestic reform agenda. They're not counting that much on exports anymore to bolster their growth. They're looking to push forward a significant range of

domestic economic reforms. And the Obama Administration could play a very constructive role right now by endorsing and supporting those reforms.

It's not that the US can really prod very much in terms of getting that much action but I think every bit of technical help, every bit of support that the US can provide to the Chinese while they fight their internal domestic political battles is going to be very important.

Now, the currency issue is something that will come up and there is a ritualistic element to it. The US will bring it up and say that China does need to be moving more aggressively on its currency. The Chinese will say that they are moving more towards a more market determined system of exchange rates and then the issue will be set aside.

It can't fully be ignored because the bilateral trade deficit that the US runs with China did reach an all-time high last year of about \$315 billion. And that number, although there are very good reasons not to focus on it, is what gets a lot of

attention in Washington. So, I think there will have to be some acknowledgement of the issue about China's currency and about the bilateral trade deficit.

But in the economic front, one significant change is that there has been something of a leveling of the playing field in the last year or so. The US economic recovery is by no means strong but it is on firmer ground than it was about a year ago. The Chinese economy by contrast is losing momentum. Now, it's not that the Chinese are converging the US growth rates. There is still a very large gap in the growth rates but there is the subtle shifting of the playing field. So, it's become a little more level and perhaps a lot more level than it's been in the last few years.

So, that I think also makes it a much more productive basis to conduct a dialogue where the two countries can really focus in a pragmatic way on what they need to do to move forward their relationship. And China is also clearly becoming more open to engagement on economic issues including opening up its

markets and in particular in trade.

China, I think, felt unfairly left out of the TPP and they were somewhat ambiguous about whether they wanted to be part of it or not. Recent signals suggested they would like to be part of the Trans-Pacific Partnership and I think eventually there will have to be some role for China because it's hard to see this trade pact making very significant progress without China being involved.

So, China has subtly but very, very slightly, I think, shifted to the defensive on some of these economic issues. They want to make sure they don't get left out and I think the US has again very subtly tried to maneuver a little bit around China by building stronger relationships with other countries in the Asian region.

So, I think there is a clear sense on both sides that they want to approach this in a pragmatic way and if they do that they can get past the irritants and make this a really productive relationship between the two countries.

MR. SHEN: Okay. Now, Dr. Cheng Li will speak.

DR. LI: My assignment is to discuss internal social political scene in China which is very important for us in understanding the motivation, constraints and possible impact of Xi Jinping's visit.

Now, I would like to make three observations. First, President Xi Jinping has had a honeymoon period during the first several months since last November when he became the top leader in the party, largely because he has enhanced the great expectation across many social political groups in China.

Second observation is that this honeymoon period is coming to end much earlier, based on my observations, much earlier than the previous generation of leaders, largely because he has increasingly alienated many elite groups in the country including cultural elite, economic elite, some political elites are also concerned about (inaudible) maybe only deal with local leaders not the senior

level leaders. And especially he alienated the liberal public intellectuals is the second point observation I want to make.

Thirdly, the Obama-Xi Jinping Summit is crucial for President Xi Jinping to consolidate his power that he holds and to define his foreign and domestic policies. And it is also important for President Obama to see this really great opportunity to help Xi Jinping choose the right path for China and also to be on the right side of history as the top leader in China.

Now, let me very quickly elaborate on these three points. First about the honeymoon period that he enjoyed in the past several months, it's largely because of several factors. First, Hu Jintao and Wen Jiabao were not popular towards the final years of their leadership. Secondly, the wake of the Bo Xilai Crisis a couple of years ago that the party had tremendous incentive united under Xi Jinping. So, he certainly achieved that goal. And thirdly, I think most importantly, he really presented himself in a

very skillful way to reaching out of different social groups and appeal them into some of the harder issues.

Now, there's four comparisons in China and abroad to compare Xi Jinping with other leaders. First is the argument that Xi Jinping looked like Li Zhaoping because the first thing he did he had some journey really like what happened in the early 1980s. Opened up China's economy, very foreign minded, he also said, very interesting, he should -- China (inaudible) should put power in bucks which would deal with corruption. He implemented so-called aid regulations, anti-corruption. To a certain extent changed the behaviors of the Chinese officials and also in the early months of his leadership he talked about constitutionalism. This is the first time a top leader so closely emphasized the importance of judicial independence. Now, this is the metaphor, he will be another Li Zhaoping.

The second, just opposite, far more conservative side of society think he's another Mao Tse Tung, Chairman Mao. Now, this is based on several

things. One is he's a princeling. So, he's going to inherit a revolutionary tradition and also he heavily emphasizes nationalism, especially the role of the military in China's foreign policy and to a certain extent domestic affairs as well. And he even used the term, he talked about the first 30 years of the PRC is equally impressive than the second 30 years.

Now, this actually is a breakthrough. Previously, people said the Mao Era has a lot of flows, a lot of problems. So, this is again a new leader to glorify Mao Era. This at least perceived by Chinese liberal intellectuals and finally, he actually quite astonishingly endorsed the so-called three confidencies; confidence in the role China has taken, confidence of the Communist ideology and confidence in the Chinese political system. This is astonishing for China's liberal intellectuals, even for an economic and political leaders, they thought that this kind of thing is subject to debate.

Now, the third view is upon foreigners, think he will be China's Gorbachev. Now, this, I

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think, is a very, very bad metaphor. I hope that during his visit foreign leaders should be careful using that term because we are so obsessed with our own perspective we consider Gorbachev is a hero. But let's face it, Chinese, 99 percent of people think he's a failure. And to say that he is a Gorbachev is a curse.

Now, interestingly enough the California residents to host him actually is exact time that President Reagan saw Gorbachev's speech. I hope that you will not make that comparison because it will resonate very, very badly at home. He will be very offended.

Now, the fourth one is one issue which I endorse is he could be China's Chiang Ching-kuo. Chiang Ching-kuo is a leader of Taiwan in the 1980s. Also, princeling, the son of Chiang Kai-shek but he is also conservative but all of a sudden he open up the Taiwanese political system and become very, very successful story. Now, that question still has not been answered. I think that probably is the right

person for us. He is not (inaudible) or Mao because historically circumstances would not allow him to achieve that objective no matter how people present him or whether he's interested in becoming one of them. So, it will not happen. So, Chiang Ching-kuo, whether he become that kind of figure with success to open up China's political system is a question yet to be answered.

Now, let me move to the second thing very quickly about why the honeymoon period coming to an end because increasingly he represents himself as a leader, politically conservative but economically liberal. This is the term Chinese intellectuals use frequently in the past few weeks.

Now, political conservative because he's in very tight control of the media; there is no further talk about political reform, at least in the past few months. No longer talk about the rule of law even and also that anti-corruption, it sounds like cause more cynicism in China because two trials; (inaudible) sounds like will end up in a way not satisfying the

Chinese expectations.

Now, but economically he is a liberal and one colleague also already mentioned that's important because he has a wonderful economic key, very good economic reform, not only in the top level like Wang Qishan and Zhang Gao Li and et cetera but also the next level like Tzung Jao Han, Liu Huh, Minister of Finance, Lung Zi Witzia, all brilliant economic reformers. So, they will carry out the economic policy but the question is at the moment the Chinese public is extremely cynical. They believe that the reform-minded policy including financial liberalization and the change of the local central tax revenue will go nowhere because interest group is so powerful to block these policies. Particularly the interest group of State and enterprises and also the economics so far of the six or seven months he's become top leader, the economy has not improved. You see the poverty bubble continue and also the most pressing issue is that college graduates could not find jobs.

Previously, about 20-30 percent of college graduates could not find jobs. This year there will be seven million graduates. The statistics from China is this time is the highest point, higher than 30 percent could be even as many as half of them could not find jobs. Now, this would cover three point five million people. This certainly creates a very disturbing situation. Most of these college graduates are middle class family members of the future middle class. To a certain extent, that group also becomes increasingly worrisome.

Now, let me move to the last point. Why I think it's a great opportunity. Because I think that the US President and also scholars like us, we can make a point just like the Chinese public intellectuals constantly make it a point. In today's China, economic reform should go along with the political reform, the political change. You cannot separate them. And to a certain extent, this kind of political conservative economic and liberal policy cannot go too far in today's China.

So, I think the President certainly should say, you know, in a very respectful way from learning the lessons of our American dream, our own problem and also we should show our good will for China. We want to be stable transition in China. We hope that Xi Jinping is the person who can push for all these changes. I am still very hopeful and also this is related to American values which are not heightened but whether should be publicly or privately to talk about these issues, I don't know. But in China there's a rise of concern that kind of a political conservative nature would really eventually cause some explosion.

So, that's a very serious matter. I, again, I'm still hopeful. I think that it's highly likely that Xi Jinping will make a choice whether he wants to be the right side of history, to be China's Chiang Ching-kuo then really leave his legacy. This certainly that you do with very, very powerful interest groups but international (inaudible) from United States will give him the incentive to move that

direction. Thank you very much.

MR. SHEN: Okay. Now time for questions. Just so, for people on the call, I'm going to go to questions in the room and then also on the line. Can we just make sure we say who we are beforehand? Yes, go ahead.

MR. CONDON: George Condon of National Journal. You talk about a subtle shifting of the playing field. I mean, who has the leverage at this meeting?

MR. PRASAD: This is Eswar Prasad. The issue is more a bit of a shifting towards a more level playing field so I wouldn't characterize it as either party really having an upper hand in having any leverage over the other. The major challenges that both sides face are really domestic at this stage as both Jeff and Cheng have pointed out. There are enormous challenges in Beijing because there is a very clear agenda that the leadership has and they're finding it very difficult to actually make progress because they are facing not only opposition from

vested interests but also trying to deal with the loss and growth momentum at the same.

And of course, although Cheng has pointed out it would be nice if President Obama could talk about US values given the mess that we have here in Washington, perhaps Obama's mind is also very much focused on the domestic challenges. So, in that sense the issues that given the amount of focus that is there in both countries on domestic issues, there isn't that much of a need for these two leaders to play to the domestic audience by bashing either US or China as the case may be.

So, in that sense I think both sides may find it useful to get out of this meeting the sense that they have support for their domestic economic agendas. In the case of China, for reforms as a way to move forward and engage more with the international community and for the US perhaps to make its contribution to engagement with the world by getting things done at home.

MR. CONDON: If I can follow real quickly,
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at some of the past meetings between the leaders there has been a sense that the Chinese didn't have any reason to give in. They had the benefit on the trade surplus and so on. Isn't that different this time?

MR. PRASAD: I think the quid pro quo is very much the same as it was in the past. What the US would like is access to Chinese markets. It would like to make sure that its financial institutions and firms can enter China, invest in China. What the Chinese would like is more access to investment opportunities in the US and they would also like access to US technology.

Now, this gets tied in with a number of other issues that Jeff referred to in terms of cyber security and so on. But I think this is a good time to make progress on that quid pro quo because it is a very clear bargaining element with neither side having particular leverage over the other but each side potentially having a lot to gain through a good bargain with the other.

DR. BADER: If I could just add one point.

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I think your question probably was prompted primarily by, as far as observation, and deals mostly with the economic side but I would just add on the political and security side that I think that President Obama probably feels that we have established credibility in the region through the strategy of rebalancing over the last few years. That the strengthening of alliances with Korea, Japan, with Australia, the joining of East Asia Summit, the beginnings of an umbrella agreement on TPP, you know, all of the trips back and forth, I think there's a sense that the region welcomes the US presence. That they have manifest that clearly over the last few years and that that, I'm not sure I want to get into the vocabulary of leverage but I think that puts the US and the President in a comfortable and strong position as they meet with the Chinese.

MR. SHEN: Do we have a question from the line? No? Okay. Go ahead.

MS. KELEMEN: First of all, Secretary Clinton used to talk about this trying to answer the

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age old question of what happens when rising powers meet established powers. There are some people like Kevin Rudd, former Australian Prime Minister, who suggested that what needs to happen in these regular summits. This should be a normal channel. Is that what you see happening? Is this the first step in that direction?

DR. BADER: First on the question of rising powers and great powers, I mean, that clearly is very much on the minds of both sides. I'd say especially on the Chinese side, this term of new type of great power relationship or new type of major power relationship which the Chinese first put in play, which the United States has somewhat mimicked, this basically deals with that question, Michele.

What they mean by that is a different kind of relationship than historically rising powers and dominant powers have had. They've studied history. They've studied the writings of international relations theorists in the West and they know that rising powers and existing powers, the relationships

between them tends not to end happily. They've had documentaries on CCTV talking about past rising powers. They've thought about this quite a bit.

So, this slogan if you will, this mantra, that's really what it means. They haven't fleshed it out very much as to what kind of a relationship. Really, it's almost a negative. What kind of a relationship don't we want to have? And so far, in terms of fleshing it out, there isn't too much more than the notion that we need a much more cooperative relationship than the past rising powers and dominant powers have had.

And I'm sorry, the second part of your question, Michele?

MS. KELEMEN: Whether this is --

DR. BADER: Yeah, whether this is -- you know, I think President Obama from the beginning has felt that he wanted to have a regular rhythm of meetings. As I said, he met with Hu Jintao a dozen times in his first four years. That's I'm sure much, much more frequently than his predecessors have done.

So, I don't know that this is new in terms of -- I don't think it's new in terms of establishing a rhythm. I think what's important here is how early this meeting is, how long the meeting will be, the informality of it, and the objective of really having a strategic discussion where we really try to understand each other's strategic objectives so that we can, not so much solve problems today, but over the next four years solve them.

MR. SHEN: Yes?

MS. CALMES: Hi, Jackie Calmes from the New York Times. I think it was Mr. Prasad who mentioned the TPP and China. And I saw that it took a while to get Japan involved and it seemed when, in that November 2011 Asia trip that a lot of the purpose of TPP was a bulwark against China and its size and growth and power. How will the other countries on the Pacific Rim react to the prospect of China being part of it?

MR. PRASAD: I don't think China's a particularly welcome guest of the TPP at this stage

because as you point out there was a strategic objective to the TPP of essentially pulling together a set of countries that could act as a bulwark against China. But in this very room, as a matter of fact, we had a large group of Chinese intellectuals making a very powerful case that China felt it was being unfairly sidelined and that a trade relationship or trade agreement in Asia that excluded China would not make any sense at all.

And China, I think, would like to make sure that there is no end run around its role in Asia. And I think the fact that at least in the last few days we've seen some signals that China would like to get involved in the TPP at some future state is indicating that it doesn't want to be sidelined in this process.

But I think your sense is correct that given the origins of the TPP and what the other participants seem to want out of it, I think there is a sense that it is meant to be a counterweight to China rather than something that incorporates China.

DR. BADER: Can I just add a little bit from
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my perspective when I was in the Administration on this? I think the philosophy of the original participants in this was to try to negotiate what they call a higher standards agreement. And the higher standards certainly would include some sort of a way of dealing with state owned enterprises.

So, the notion that, I say that China would be in the ground floor of such a negotiation probably did not come naturally to people in the White House but Vietnam is. So, I think there's some feeling that disciplines can be imposed through this negotiation process on the state owned enterprises through the Vietnam participation that assure that these enterprises behave in a commercial fashion, not a politically controlled and politically driven fashion. That if the high standards, including in the state owned enterprise sector, emerge from this process then the partners would be in a good position to approach the Chinese and say that this is an agreement that you can sign on to.

I guess the other point I'd make is that

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China is not passive. China has its own FTA negotiation process. China has more FTAs in the region than we do. They have an FTA with ASEAN and there was recently the announcement, that's what it called the RCEP --

SPEAKER: You haven't seen any kind of related like press calls or like, well that one yes but --

DR. BADER: But anyway, China and the other members of EAS have announced negotiation of a multilateral trade agreement that excludes the US. It includes what is it, all the ASEAN countries and Australia, New Zealand, India, China, Korea, Japan but it excludes the US.

So, at some point all of these different processes are going to have to be melded if it's going to be a rational outcome.

MR. SHEN: Yes?

MS. MANDEVILLE: I wanted to go back to the question of the cooperative versus adversarial relationship between China and the US. And if you

CHINA-2013/06/04

could make a comparison what is happening between Russia and the US, I mean we know that Russia defines and focuses its foreign policy as basically as opposing the US. Basically that's the center of the Russian foreign policy but what is happening with the Chinese? I mean, what drives their foreign policy and therefore the definition of their relationship with the US?

DR. LI: Well, for China, in the Chinese mindset at the moment the country that matters the most is the United States because this is a country that could successfully, from their perspective, to form an international coalition to deal with China. And this is also a country that economically is so important.

But Chinese leaders, you know the message from private meetings in the past few months constantly express they value the US-China relationship. They certainly want to put that relationship back on the right track. But publicly they need to deal with the growing criticism or

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nationalist sentiment because the US does support some of the US allies in South China Sea and also East China Sea. So, therefore, the leaders need to be concerned about this kind of rise of nationalism.

So, therefore, their first trip is go to Russia and (inaudible) Africa and some other countries. So, they wanted to form kind of China's own outreach to use that as kind of a bargaining power to deal with United States. But at the same time send a more balanced message to the domestic audience. So, this is the mindset of Chinese leaders. Whether they can do well or not is subject to events, how it unfolds in North Korea, in China's relation with Japan and also trade and relationship. And also with this trip will be perceived as very, very successful to enhance China's international prestige, to really have a good moment to accelerate the development in various areas, economic, climate change, cyber security, et cetera.

So, that's why the visit is so important at this very crucial moment. Because Xi Jinping needs to

make a choice, needs to define China's foreign policy. That will also impact China's domestic policies. You cannot be a respectful player in international demand but domestically so conservative. That is a contradiction. So, these things will usually come together.

DR. BADER: If I could just add one point. Basically, I think your question comparing Russia and China, to put it correctly, I think that the Russians -- Russian and Chinese concerns about the US overlap substantially in many ways. In many ways they're similar but the Russians, they like to stick their finger in our eye. They like to have visible disputes. They like to stand up to the US. In their political culture this is valuable and important.

The Chinese do not. The Chinese, there is as Cheng Li is indicating this undercurrent of nationalism and anxiety about US intentions. So, the concerns are somewhat parallel to the Russians but they like to mute the differences in their public discourse with the United States rather than to

highlight them.

MR. SHEN: Yes?

MR. ROBERTS: Dan Roberts from the Guardian. Jeff, you at the outset set out the agenda; I'm guessing particularly how the US sees it and the Korean economy, cyber security. Is that how the Chinese are likely to see their priorities in that order and particularly on cyber security, are the Chinese likely to want to talk about that at any great depth? Is there much they can do?

DR. BADER: You're right. I mean, when I said that at the outset I should have made clear that was the US perspective. The Chinese perspective, as you indicate, will be different. Of those three issues, certainly the economic relationship would be in the top two or three on the Chinese side as on the US side.

I think that North Korea would be near the top on the Chinese side right now. The experience that they've had the last few months watching the behavior of Kim Jong-un has really a profound impact

on Chinese thinking. They are going to want to compare notes with President Obama on North Korea. So, I don't think that we'll have to chase them down to get the North Korea discussions going.

Cyber is different. Cyber for the Chinese, I would say, will be in the defensive posture. They would be just as happy if this issue were not highlighted.

MR. ROBERTS: Do they regard it as a serious issue? Do they buy in to the US narrative that this is a government led exercise?

DR. LI: No. The answer is they think that China has been treated unfairly. They think that certainly I think that economic and North Korea would carry more weight, maybe some other issues as well. But China is willing to talk about that issue, I believe, because they want to -- they understand that issue dominated American media at the moment. Certainly very, it's not conducive for a healthy and cooperative relationship. China wants to explain its position but at the same time it's in everyone's

interests to have the cyber security.

So, therefore, I hope that the Chinese will take a good, that leadership will take action to deal with this kind of domestic, this kind of espionage or cyber-attack. But at the same time we should put in perspective. Not in the (inaudible) issue just single out China. And this kind of fear probably is counterproductive for everyone. It is a real issue, it's a very serious issue but it's only through cooperation to make China to do the right things.

So, this is also a great opportunity for China. They also want to seize the opportunity to explain China's position, China's own fear and also a sense of kind of unfairness. I think and maybe they will.

DR. BADER: If I could just add one thought just to frame the cyber issue a little bit. I mean, I think of the cyber issue of having sort of three basic components. One is espionage. Two is theft of intellectual property and three is sabotage.

The response to each really needs to be

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quite different. On espionage, espionage has been going on for a few thousand years. This is simply espionage using new tools. And so, frankly, we've never had much luck at getting mutual restraint on espionage in the past before this tool was invented. I don't expect we'll have much success now. So, on the espionage side I think the challenge is simply we have to build our defenses as strong as we can. And I don't know that there's an awful lot we can ask of the Chinese that we'll get just as I don't know that they'll get an awful lot of us on the subject.

The third one, sabotage, that's the most chilling one. That's when you turn on the TV and you see trailers for movies and you see people pushing buttons somewhere and the White House exploding and the US grinding to a halt. And there has been some mention of this in some of the recent reports like the Mandiant Report that talk about sabotage. My own view is that sabotage by China against the United States or the United States against China is a very, extremely low likelihood. Why? Because we each have a

tremendous stake in the success of each other's economy.

China doesn't have an interest in seeing the US financial services sector grind to a halt by cyber-attack. Maybe North Korea or Iran might but China does not. And I think also both sides recognize that there is the functional equivalent of mutually assured destruction in the sabotage area that one does or the other can do it and it will not end happily.

So, the real crux of the problem for the US is the intellectual property theft area. That's the one we care about and that's frankly asymmetric in that the Chinese do it and we do not. So, trying to get agreement on that is a challenge. I'm sure we won't get agreement on that this week. We need to start a process of development of international norms that the Chinese will buy on to in the intellectual property area that's going to address those concerns. From the Chinese point of view it's critical because the chief foundation of support for US-China relationship in the United States is the business

community and the business community is the one that's being hurt by this intellectual property theft and they're the ones who are agitated about it.

MR. SHEN: Thank you. Do we have any questions from the line?

YELLIN: Yes, it's Jessica Yellin from CNN. If I could just follow up on that last point on intellectual property and cyber security, what -- we don't expect any deliverables from this meeting. What is reasonable to expect or what would the White House want going in as a result of this meeting on that front? At least an acknowledgement from China that this is happening and that they'd like to make some progress on these norms or is there some sort of concrete development you could see coming out of this meeting?

DR. BADER: You know it's -- I'm uncomfortable sort of speaking for White House precise objectives because I don't know exactly how discussions will go but I would just speak personally what I think would be most useful in that regard. I

think that the opportunity here is that Xi Jinping sits atop an interagency mechanism, a process in China. You've got lots of different actors on the cyber issues in China, most of whom have their own head of steam and probably are not paying much attention to guidance.

I think it's important for President Obama to impress upon Xi Jinping that this is not just the flavor of the month. That this is a hugely important issue that's not going to go away and it's going to corrode the relationship. And that Xi Jinping has to personally take charge of the issue within the Chinese system, not just let the PLA building in Shanghai or others kind of run loose on this.

So, it's an attempt to do kind of a top down sensitizing of the Chinese and the second thing is, I think Eswar alluded to this, to get a process going to develop norms, international norms. We're really fairly primitive in that area. And if they could come out of the Summit saying we have a process, we have working groups, we have -- we are rejuvenating a

process of international negotiation of norms in this area to prevent theft of intellectual property and to prevent sabotage and the two sides agree on these principles, I think that would be a pretty decent outcome.

MR. SHEN: More questions? Yes.

SPEAKER: Following on that, how much does the noise from Washington, whether it's the business community or Congress calling on the President to essentially call Xi to the carpet on cyber security is -- balancing what you saw from the beginning is that this is the President is looking at the long-term with this meeting, how do you balance the two and specifically is the noise helping or hurting going in?

DR. BADER: First of all, let me go back to the earlier question. I don't take seriously the Chinese denials that they're engaging in. I don't think anyone takes that seriously. They're kind of non-denial denials if you read them and I don't think anyone is thinking what's really important is to get the Chinese to fess up. That's, you know, we know

it's happening. They know it's happening. So, I'm not concerned with achieving that objective.

As for this question between division between private candor and public space, I think that if -- the President's already been pretty vocal on this issue publicly. I think that coming out of the meeting, frankly, if we have very sharp public rhetoric about Chinese activities I don't think that's going to help. I think what's really important is, we already have the rhetoric out there. We've already got the report by DOD, the President's statements.

I think what's important is to have the private discussion where Xi Jinping is persuaded that this really matters and that the President is not seeking to embarrass him publicly on the issue but is really seeking to develop changes in behavior so that this issue doesn't metastasize through the whole relationship.

So, the domestic pressure, you know as Eswar said, the nice thing about being in the second term you can have a somewhat thick skin about domestic

pressure on some of these issues and actually look at the long term.

MR. SHEN: Do you want to take the last two more questions over there?

SPEAKER: Turn to North Korea. What would be a good outcome from the meeting in terms of a statement? There's no statement, is that an indication that they're just not on the same page at all? There was some talk in recent weeks that Xi's sort of pressure on North Korea, given its recent provocations, was some characterized it as a gift to the US in advance of this meeting. And others said, the Chinese don't do gifts. They're more transactional than that.

So, what should we look for coming out of North Korea?

DR. BADER: A couple of thoughts. First of all, in terms of the public messaging and the capture of what's discussed privately, how that's going to be done, my understanding is that it's not going to be a joint statement. There will probably be, my guess is

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briefings by senior people, on the record briefings by a senior person on each side. Pick an idea who it's going to be and that would capture the public message the two sides want to get at. And that would presumably cover North Korea, cyber, all these other issues.

Secondly, I have very little doubt that Xi Jinping is deeply disturbed by what's been going on in North Korea. It is not -- what we've seen in China in the last few months is not simply a gift to the US or a bow to the US. They are really, really irritated. When you see a phone call by the President of China to the new President of South Korea, publicizing the phone call, a very warm phone call talking about President Park Geun-hye visiting China soon, she's going to visit, I think, this month. That that phone call and that message would come out at the height of the North Korean antics, that's a pretty powerful message.

The decision to close the Bank of China accounts at the North Korean Trading Company that was

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a pretty powerful message and just the public debate in China generally with all these scholars writing articles saying we've got to get rid of this North Korea burden, that's meant to be a message to North Korea. You know, in my own meetings in China recently the message has been very strong that we, China, will never accept a North Korean nuclear capability. We will never accept it.

And that's kind of how they begin meetings. That's not how Chinese began meetings in the past on the subject. They'd usually begin meetings by saying, oh, what's most important is return to six party talks and peaceful resolution. And you Americans have to be sensitive to North Korea's security concerns. So, all of these elements are still in the Chinese position but the emphasis is distinctive change.

So, I think the most important thing to come out, I don't know if they'd come out with a specific announcement they're going to do A or B. I doubt it. But I think what they really want to come out is a message to Pyongyang of solidarity between the United

States and China on the North Korea issue so there is not space or opportunity for North Korea to play one side against the other. If you will, a posture that increases the pressure on North Korea to understand it's got a binary choice. It can continue its nuclear weapons program or it can have economic development and acceptance in the international community but not both. And that both China and the US agree on that.

MR. SHEN: Any more questions from the line?

MR. WILSON: Yes, could I ask one?

MR. SHEN: Yes.

MR. WILSON: Hi, it's Scott Wilson from the Washington Post. Thanks very much for doing this and my apologies. I was a couple of minutes late so if Dr. Bader covered this in his talk just ignore it. But I wanted to ask a little bit about just the informality of a meeting between an American leader and a Chinese leader. When I think of Chinese diplomacy informality isn't the first thing that comes to mind and I'm wondering how you think the informality may or may not work in a setting like

this. And if you could point to something in history either between an American leader and a Chinese leader or an American leader and another head of state that you think might be comparable to a meeting like this.

DR. BADER: Well, Scott, yeah I did talk a little bit about the informality at the beginning. I didn't expand on it but I did make a point that it's a unique in the history of US-China meetings. That why bother having meetings if you're just going to basically read the People's Daily Editorial. You can send that in the mail.

And Xi Jinping is much more comfortable in this kind of setting. He's demonstrated that. Vice President Biden talks about it from his own experience. He spent 10 or 11 hours with Xi Jinping on his visit to China.

But informality, I mean one thing it does is it builds a relationship, hopefully a relationship of trust, between the two leaders. Now, there's a lot of talk about strategic distrust. That's not a phrase, frankly, I'd use and I don't believe it's all that

easy to overcome strategic distrust between countries. It's based on objective factors.

But trust between individuals is real. And they don't have to have the same ideology. And so, private time, informal time between the two in which they talk candidly about their own political situation, their own strategic, their own economic policies, talk about what they're seeking and what they're fearful about, that can build personal trust. And if you've got personal trust, then in future crises you've got some capital you can draw on. You can call the President of the other country and you can ask for things and get a higher level of understanding than if you haven't built that kind of relationship.

MR. SHEN: Okay, Eswar is going to make one comment and then Cheng Li.

MR. PRASAD: Jackie, the Chinese do give gifts. The gifts are transactional themselves, so like just before Summits you get a little bump up in the currency, you get a little favor in North Korea

and so on.

But I think latching this question onto what Michele asked earlier, my sense is that China is quite confident and it serves as a great power and that is one very important symbolism that is coming out of the nature of this meeting that they don't need the pomp and circumstance to ratify themselves as a great power. And what I think President Xi would really like to take back home is this image of him and Obama in shirt sleeves and not quite with their hair down but essentially shirt sleeves getting down to brass tacks, dealing with each other as equals.

And that is the image of getting down to business that I think would really serve Xi well back home.

DR. LI: Well, just to add one thing. It's not entirely unprecedented because we know that a personal relationship always carries much weight from Chinese perspective in State to State relations. In terms of US-China relations, Jiang Zemin's visit in Texas at the ranch of George W. Bush, Jr. was an

example. You can also trace earlier that Nixon's visit in Mao's (inaudible) this kind of went on when personal conversation carried much weight.

So, that's certainly the things Jinping want to achieve. That's part of the opportunity for the US to do the same thing to build up a kind of mutual respect, understanding, maybe even friendship.

DR. BADER: I guess the only I'd add is, I mean Cheng Li's absolutely right on that, but the Waco meeting was at the end of Jiang Zemin's tenure. So, if you will it was kind of a gift for past friendship and performance rather than a launching pad whereas this one has more of a forward looking quality to it.

MR. SHEN: Okay. So, sorry, time is up. There will be a full audio and a transcript and we'll send it to everybody on the line and in the room. Otherwise, you can contact us if you have any interview requests for these scholars. Thank you very much. Bye-bye.

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