



CHINA'S RISE AND INTERNATIONAL ORDER

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WELCOME/MODERATOR:

Douglas Paal,
Vice President for Studies,
Carnegie Endowment for International Peace

SPEAKER:

Yan Xuetong,
Director, Institute of International Studies,
Tsinghua University

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DOUGLAS PAAL: Good morning, ladies and gentlemen. Welcome to the Carnegie Endowment for International Peace. My name is Doug Paal. I'm vice president for studies and run the Asia program.

And it's my privilege to welcome you all here this morning to hear from a very good friend and colleague, one of China's most distinguished and distinctive thinkers on foreign affairs, Professor Yan Xuetong from Tsinghua University, who also serves as my counterpart in supervising the Tsinghua-Carnegie – or Carnegie-Tsinghua Center at Beijing at the campus of Tsinghua University, which is off to a roaringly good start in the last year with our cooperation on a variety of international and environmental arms control and other issues in the studies there.

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Professor Yan has just authored a very interesting, imaginative book looking at the scholarship of ancient Chinese statecraft and applying it in terms of today's policy lessons. But today he's not here to talk about that. He's going to do that a little later in the week over at CSIS. Today he's going to talk to us on the subject of China's rise in the international order, which has obviously been a major topic.

You have his biography here to say that he's a proud University of California alumnus for his Ph.D., so he knows us well and can communicate very clearly what he has in mind.

And so, with those brief introductory remarks, let me turn it over to my good friend, Professor Yan.

YAN XUETONG: Thank you.

MR. PAAL: Oh, by the way, please turn off any cellphones or other devices you may have. Thank you.

MR. YAN: How long do you want me to talk, 20 minutes?

MR. PAAL: Twenty minutes is great. Then we can have lots of –

MR. YAN: OK.

MR. PAAL: This is a very good audience. There will be some good questions.

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MR. YAN: OK. So, just now Doug mentioned that my latest book is “Ancient Chinese Thought, Modern Chinese Power.” Actually, this morning I will try to talk on my very early book, “The International Environment for China's Rise.” That book was published in 1998.

When this book was published, strongly criticized by my Chinese colleagues. First, they think this book is talking about nonsense. They said it's impossible for China to catch up with the U.S. And they said that Deng Xiaoping has said that and it would take China 50 years – at least 50 years for China to industrialize, to make the country become a developed country.

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And, second, they think that strategically that book is totally wrong, because if China is a rising power, it will be – inevitably means a challenge to the United States. So that will get the troubles with the United States. So they think this book is published at the wrong time and talking about the wrong thing.

Well, actually, 13 years later it seems to me people no longer worry about talking about the term of China's rise, I mean in China, and because even 2004 the Chinese government clearly ordered in no governmental documents and official speech use the term "the rise of China." And only can be used for the academia, media and the nongovernmental organizations.

So that means that the rise of China, or the China's rise, is not official concept. It's a still academic concept in China. So in China, the official concept is the rejuvenation of China, or they call it the national rejuvenization.

Actually, from my understanding, at this time – and when we're talking about China's rise – from my understanding, the people of the rest of the world already feel that China's rise possibly is the largest issue for the world for the 21st century. And obviously everybody knows that and people – especially people in the Western societies are scared about this.

And then, today I want to talk about two things. And first is, what kind of impact of China's rise will be on the – imposed on the national configuration? The second is talking about the international order. That means talking about norms.

And first, I think the international configuration is composed of two elements. First is the power structure. That means the comparative powers among the major countries.

And the second factor, or the second element, is the strategic relationship among the major powers. And in the first aspect, that means in terms of power, I think it's very possible for China to catch up with the U.S. in the next 20 years. In 10 years, it's possible for China to catch up with the U.S. in terms of the economy, but it will also take China at least another 10 years, possibly 20 years, to catch up with the U.S. in terms of the military.

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So, if we look at this issue, and (the power gap between) China and the U.S. – China is –going to narrow. It's a power gap with the U.S. And then we find that the U.S. still is the country that has the strongest growth among all of the industrialized countries. I mean, the U.S. economy can grow faster than the Europe, than Japan, than the other Western countries. That means the U.S. is going to enlarge its gap with the rest of the industrialized societies.

Meanwhile, some people argue that, wait a minute, India, Russia and the Brazil is going to have a higher economic growth than the United States. Whether it's possible for these guys to catch up with the U.S., for me I think that's impossible. And, well, I argue this: India is only – it's about 1/10th of the U.S. GDP, and Russia and Brazil may be 15 percent, or something.

So that 1 percent of growth of the U.S. of GDP means 10 percent growth of India's GDP. And if the U.S. will keep the 3 percent growth, that means that India's economy has to grow at 30 percent every year to keep the gap stagnant. So it's impossible for India and Russia and Brazil to have – to develop the economy, make the economy grow at 30 percent. That's impossible.

Well, I got an email from the British accountant. He said – he told me that, Professor Yan, I only partially agree with you, and you didn't do the real calculation. So I did the real calculation and found that the India can catch up with the U.S. within 478 years. (Laughter.) Well, I said, you're absolutely right, but for me I can only predict 10 years, at most 20 years. I don't know any human being that knows what's going on after the next 20 years.

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So, actually, if we look at the future, just within 20 years or 15 years, China and the U.S. is going to enlarge their power gap with the rest of the world, of any country in the world. So my question comes to you: Do you think we're going to have a multipolarization or we're going to have a bipolarization?

In China, the government official judgment is very clear, and even very recently all their official documents repeated that, that the work is moving in the direction of a multipolarization. But, actually, from my understanding, no matter what, it will be. And one thing is clear: It's definitely not multipolarization, because we cannot see any power, any group can rise up to catch up with the U.S. except the China.

Well, then we come to the second aspect about the world configuration. It's the strategic relationship. In the aspect of the strategic relationship, it seems to me, there's not very much change. There is neither multipolarization nor bipolarization, because by now the U.S. still maintains as the solo superpower in terms of military alliance.

The U.S. has over 70 major alliance and China has almost none. Maybe we have two quasi mutual allies. One is the Korea. We have North Korea. We have the treaty but no substance. And with Pakistan we have substance without treaty.

And so you see, in terms of the – especially China insists on the principle for nonalliance. That means as long as China continues this principle, we can never have so many close friends like the United States.

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That means that we cannot change this perspective of the strategic relationship between China and the U.S. and – (inaudible) – relations between our two countries. That means that if we compete for good friends, we cannot win the game, because the principle has blocked us to making close friends than the United States.

This principle of nonalliance does not allow China to develop a major alliance with anyone. But the U.S., at the same time, not only consolidates its major alliance and also try to develop new ones. That's the difference.

So, when we're talking about China's rise, I will say China's rise will have the impact only on the aspect of the power structure, but not on the strategic relationship. So, very recently some people say, hey, look at that, China's become stronger. But then you have less friends. China has become richer but then you have less political influence. Well, I don't think that that's something unusual.

And as long as China continues to insist on nonalliance principle, I don't think that we can change this aspect. So that's one thing. And about this – about the configuration of the world.

The second, the impact about China's rise and our relationship with the United States. And it seems to me that China's rise will intensify the relationship between China and the U.S. rather than to soft or to pacify our relationship.

And I published an article under the title, “Instability of China-U.S. Relationship.” In this article, I argue that the China-U.S. relationship is a so bumpy and the zigzag relationship is determined by the superficial friendship, because both sides try to talk very friendly, talking about cooperation. Actually, both sides compete each other, compete for the influence.

Well, I don't think the Chinese leaders and the U.S. policymakers opted – subjectively, they want to compete with China. My understanding, Obama and Hu Jintao, all of them want to soften the conflicts. They want to develop cooperation with each other; they want to avoid conflicts between each other.

Actually, my understanding is it's beyond their capability to prevent this kind of competition of conflicts because as the power gap narrowed and then this kind of conflicts will inevitably rise up. It's not done by people purposely but it's objectively by nature. I call it structural contradiction between the two countries, for instance.

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And China officially reiterated several times, we have no intention to challenge the U.S. domination of the world. I think they are very sincere. This is not a lie. This is what they tell from their heart. But then to question that: Is that possible for China to not challenge the U.S. domination? It's very difficult. I do not mean that if a leader does not want to challenge then we can avoid a challenge to the U.S., for instance the Olympic Games.

And during the Cold War, only two countries have the chance to get the most of gold medals at Olympic Games, either the U.S. or the Soviet Union. And so that means only superpowers are able or have the chance to be the number-one in that Olympic competition.

After the Cold War, the U.S. maintained the only country to dominate that position after 1992. And then 2008, the U.S. lose that position to China. And certainly the Americans do not care: Well, that's just a game and nothing real. But then the question that, why no other countries are able to win most of the gold medals at Olympic Games?

Is there any country has the possible possibility to win most gold medals in next Olympic Games except China and the U.S.? Not only next games, my understanding – in next four games, maybe five or six or seven, could be more games, and the number-one gold medals and the most gold medals are going to be shared between China and the U.S.

So then, what it mean? It means that it doesn't – it is not whether the policymakers want to challenge each other or not, whether they want to compete with each other or not. The question is that, how can we avoid these conflicts from escalating to unexpected major clashes?

So, I think the positive thing it likely is – and when Vice President Joe Biden visited our country, met with our Xi Jinping, and Xi Jinping publicly told him in front of the media that the competition between China and the U.S. is inevitable. That's the first time Chinese leader publicly admitted our relationship is a competition. That's the reality. That's honesty. That tells the truth.

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And also, it means the character or the nature of our relationship is a competition. And so – and also Xi Jinping said that I think we should manage these conflicts and transfer this competition from a negative competition to positive competition.

And by chance I was – I have this opportunity to attend this small discussion with the Vice President Joe Biden, and I read the question asking about Xi Jinping’s remarks about this relationship. And Vice President Biden said he agreed with Vice President Xi. He agreed that the China-U.S. relationship is going to be intensified. But, he said, we can manage it. And also he emphasized we should work together to manage these conflicts.

I think these are the right attitudes. I think it’s the most sincere when we sit together talking about how to manage these inevitable conflicts rather than talking friendship. That’s hollow talk and won’t help us.

So, I think now – it’s one thing related to this, that the rest of the world requires China to undertake more international responsibilities. I think of people in this room all think that China should, but then the question that China should take – a responsibility for whom? Responsible to who? Responsible to China, responsible to developing countries, or responsible to the industrialized countries, or responsible to the United States?

So, actually, I think the Chinese government also agrees we should take more international responsibility. I think that this is very positive. It’s the first time. And in this white paper issued by the Chinese government in September, first time formally stating China is going to take a more international responsibility, in consistence with our status. And also, we are going to take more international responsibilities when we are getting stronger.

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Well, I think that’s something related to the norm about the – the norm about the responsibility. That’s something we can talk later. Here is that you see the emphasis, the balance between the responsibility and the power, and they want to have this balance.

So what it means, from my understanding, the responsibility for both China and the U.S. is responsible to their own people first, not responsible to others. If any government is responsible to other countries, to other governments, that’s not your own government; that’s a foreign country’s government.

That’s why Obama said that in the conference of the U.N. – said that, I never regret for I’m serving my national interests. All of the policymakers have to. They should serve their own interests, national interests, rather than serve others’ national interests.

So here it means that – and then when China and the U.S. all take responsibility for the work, but then they have a different definition of the responsibility, what can we do? And my view is that it’s not because China is going to take on more international responsibilities and then there’s less conflicts between China and the U.S. I think it’s the opposite. The more responsibility China is going to take, and then possibly we’re different from the American’s definition of international responsibility. There could be more conflicts.

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So, from my understanding, the important thing for us is to understand that China’s rise will have some impact on our relationship which may not be what we expected. OK.

The last thing about the impact – and at this moment I think China’s economic model is attractive, but it’s gaining attention. And the human beings’ nature is that the weak always imitate the strong. The poor always imitate the rich. The subordinates always imitate the master.

So, even in ancient time, that's really interesting. And in the spring-autumn in the state of the (Chu ?) – and the king liked a slim girl. And the girls and the concubines in the palace, they eat as less as possible. So these girls cannot move. They have to hold the bar, moving in the yard. And some of them died of hunger. It's not because of the famine, there's no food; because they want to be slim, just like what happened in Spain.

The Spanish government have to force the modeling industry, stop letting these bony girls to be model on the platform. Otherwise, the other girls will imitate them, and then some people died.

So, actually, this is nothing new. It happened 2,000 years ago, this kind of fashion. So the fashion, it seems to me, is just in a circle, you know. (Laughter.) Sometimes the women wear the long sleeves and the short sleeves, and fat girls, slim girls, well, this is just in circle, you know? (Laughter.)

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Well, the final thing about that is it's abnormal. The world is not only composed by power, but strategic relationship, and also by what? And also by the norms. We all know the norms. So, what the impact – what impact China's rise will impose on international norms?

I think China will emphasize that the norm, international norm, should not be uniform. It should be multilayered. And currently China strongly emphasized that that developed countries and the developing country should abide to different type of norms. For instance, they require industrialized countries to give aid to developing countries.

OK, like talking the same thing, like the reduction of the CO₂, they require industrialized countries to reduce more than the developing countries. And during this international cooperation and the industrialized countries or the rich country should provide free technology and capital for the developing countries and not vice-versa.

So, I think China – this is kind of – this is kind of a multilayer norms that's inconsistent with China's country policy and also inconsistent with China's traditional philosophy.

So, then, how about these – the norms? Would China's economy become stronger? And I think China will have the – first have the influence on the economic sector. But China did not have that much influence in the political aspect and the military aspect because China did not have that kind of capability like the United States in these two sectors.

And the final thing I want to say is that – and now this – and China insists on nonalliance principle, and this is advocated by the Chinese government. And we think that the alliance is a very hegemonic policy. The alliance policy is – anyhow, is a Cold War mentality, or something like that.

But in the long run, I think it is very difficult for China to insist on this principle. And the U.S. will consolidate its strategic relationship with these allies. And if China does not make allies, then China will feel lonely and alone.

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So, in the future I think someday it's possible. It's not Chinese government that want to, but they're forced to. They have to consider to develop allies with other countries, especially today's – the situation with foreign countries already make China feel that we do not have that kind of friends that always stand at our sides. And now we must ask the question: Why? Why we do not have these kinds of friends?

The reason is that we do not provide security for anyone, because if we provide security for anyone, that means that we're violating the principle of nonalliance. And this principle blocks China from providing security protection for foreign countries.

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So, at this moment maybe OK. And in the last 30 years, it seems to me it sounds good, but I'm not so sure. And this policy will continue to serve our interests. And someday when it's become harmful rather than beneficial to China's interests, then policymakers must give a second thought about it. OK.

MR. PAAL: Thank you, Xuetong. Thank you very much.

We're going to open the floor to questions. When you're called on, please identify yourself and your affiliation and try to keep your remarks – or your questions terse.

I'm going to start off by asking you to be a little bit more precise about the direction you see we're going in. You've been very generous to us by not dealing in international relations theory. Some people may really enjoy that, but it's always been a hard chew for me.

But you do sound a little bit like some of the hard realists in the international relations school. John Mearsheimer would be the principal example of somebody who sees us heading toward inevitable conflict. You're describing a bipolar world with a different set of values and different sets of alliance structures, and a structural competition. Where do you see that going?

MR. YAN: OK. Well, actually I just attended a seminar at Seoul with Mearsheimer. At that seminar I told the audience that I agree with Professor Mearsheimer on his analysis that competition between China and the U.S. is inevitable. The relationship is going to be intensified.

But I cannot agree with him that this kind of a competition or conflicts or competition were escalated to a confrontation between China and the U.S. like what happened between U.S. and Soviet Union during the Cold War.

The relationship between China and the U.S., and I think in the next 20 years, will be seen like that between U.S. and Soviet Union during the Cold War in nature or in character, but in different types and the forms and the content.

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The types, forms, content are very different. The first, because China's economy has waved into the world economy, and make the Americans even – or America want to adopt a containment policy, it won't work in aspects of the economy.

Soviet Union isolated by the world economy. They have their own socialist market. They have – for the Eastern Asia countries. They are isolated for the world economy, so you can contain them economically, but China's economy already waved into the world economy. You cannot contain that country in terms of economy.

So, from my understanding, that's the one factor determines that the competition between China and the U.S. will be very different from that between Soviet Union and the U.S.

Second factor will make this relationship very different is a globalization. And globalization is not – some people argue globalization is nothing new and started from the Europeans shaping to the American continent. Well, that's kind of a linkage. It's not the globalizations. Actually, the real globalization started after the Cold War.

Two factors stimulated, aroused that globalization. First, the two markets merged into one. The second is the computer technology. The computer technology, the information technology, makes the world smaller, makes the contact between the different countries very close.

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So these globalizations make no country can live isolated. China cannot isolate itself and the U.S. cannot. So this kind of a globalization will make all countries consider how to deal with what – the active impact on every country from the globalization, just like the financial crisis in 2008. And actually the earliest one is the Asian financial crisis in 1998.

In the future, globalization will cause more and more active impact on everyone. We are forced to work together to deal with this issue. I don't think we like to, but you have no choice. Maybe they just have hollow talk out of the G-20 meetings, but even that, they have to talk to each other every three months.

And you see nowadays the world summit because so much – and some – I remember that once Obama and Hu Jintao meet with each other four times a year, and I doubt – you can imagine that when the presidents talk to each other very four months, you can imagine there's some little clashes.

And the last one is the computer technology. Computer technology totally changed human society's economy – changed the economy of our – changed our economic life. And we no longer need to occupy the natural resources. You can use the invention or innovation to trade for those natural resources, like an iPhone, iPad or anything – i-something. (Laughter.)

Well, that's just the kind that comes from people's imagination based on their education. And they use this kind of technology to trade for U.S. dollars and use the dollars to buy anything from the world. And as long as you have money, just the difference is the price, right? And no matter oil or gas, anything is just the price. And if you have the money, you can buy even from the black market. So then why?

So this time I got a very interesting story for you, that – and after the “junior” Bush and after the war against Iraq in 2003, I tell our people that Bush launched the war not for the oil, because all of the Chinese media report that, hey, America launched the war for the oil. I said, no, not for oil, but no one believed me.

Then recently there's new data. I tell them that Iraq's oil export, 13 percent goes to the U.S. More than 40 percent goes to China. (Chuckles.) So I asked why the U.S. would go to war just for 13 percent of exports of Iraq? That doesn't make sense.

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And, actually, I tell the people, Americans do not need to occupy this oil land. They just print the money, because on the market the oil is traded with the U.S. dollar, and America can sneakily print the paper and use the paper to buy the oil anywhere. Why they go to the war? They don't need to waste the time and energy, right?

So, you see, here I said that the invention has to change the basic roots, the basic approach for strategic competition. So the future competition between China and the U.S. is technology, is education, is talents.

So, if you allow me to talk about my new book, my new book talking of that, that even in the ancient time, the ancient Chinese philosopher believed that the country who can attract the most talents from the world, that country will be the number-one power.

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So, in the future I think the competition is a competition for the human resources, not for the natural resources.

MR. PAAL: (Chuckles.) He's got me so stimulated I don't – I could take it a thousand directions, but I have to turn it over to you.

I see a hand up from Michael Swaine and also a colleague here at Carnegie. Just speak into it and it works. No, it's not working yet.

Q: It's not working.

Thank you. Actually, your remarks to me are sort of reassuring. It doesn't sound to me like you're predicting that –

MR. PAAL: Try this one.

Q: – that you're predicting that the nature of the competition is necessarily going to lead to increased danger of military conflict between the United States and China, despite the fact that you say the powers of – the relative power of the two countries are going to – the gap is going to continue to narrow.

MR. YAN: OK.

Q: You're saying the competition is mainly going to occur in nonmilitary and, did you say, nonpolitical areas? It's going to be over education; it's going to be over economic issues; it's going to be over technology issues.

Now, if that's the case, do you see that as basically a benign but intense competition, or do you see this as a type of competition that, by its nature, can or would – you say must – lead to sharper forms of competition, military competition that would indeed raise the possibility of conflict?

And if so, how do you see that process going, from transitioning from these peaceful forms of competition, which I think to a certain extent the relationship is in now, to something much less benign, much less peaceful?

MR. YAN: OK. Well, that day actually I got quite a similar response from Mearsheimer. He said that he thinks that this is too idealist to argue about that China and the U.S. – the conflicts between these two countries won't escalate to military crisis. And then – conflicts.

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I told – I responded to his challenge by this: First, I think the nuclear weapons guarantees there's no major war between the major powers. No one wants to destroy the Earth and destroy the human beings, and because no one

can win the war. As long as there's no efficient NMP (ph) and no efficient national strategic defense system, we can guarantee there's no major war between China and the U.S.

Second, and we need a clear distinction for the definitions of conflict and the war. And I think major conflicts between China and the U.S. is inevitable, but the conflicts doesn't mean that we're going to war. And war means that we have to kill each other and we have to shoot missiles against each other. And that's what I expected. I don't think that will happen.

But if you're talking about conflicts like that what we see China oppose the Americans' major maneuver in the Yellow Sea, and the U.S. require China to give more transparency of a major power, these are conflicts that, well, I think is inevitable. It will continue for decades.

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And so, that second is the conflicts are also including the competition of the military technology – the technology – not only civilian technology competition, and also military technology competition.

So, for me, I think the major competition is there, major conflicts will be there, but it doesn't mean it will escalate to war. That's it.

MR. PAAL: In the Cold War we had – a lot of the conflicts were reflected in proxy wars.

MR. YAN: Yeah.

MR. PAAL: Do you anticipate that might be an aspect of the future U.S.-China relationship?

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OK, so during the Cold War, what do they see? There's a lot of proxy wars. The U.S. troops never shoot any Soviet Union soldiers – (inaudible) – and neither the Red Army. And, actually, in the future I don't think that the proxy war will happen because the approach to compete for international influence is there's – it's more efficient to win the game by winning the – to win the technology competition of the game rather than to go to the war.

The war cannot help you very much. Americans go to the war in Afghanistan. I don't think that that will help the U.S. to consolidate your dominance in the world. And America went to Iraq, and I don't think the war helped you very much – like you said that. And you went to Iraq and you got only 13 percent of the oil export. We got 40 (percent) without going to war.

So, from my understanding, I do not deny there will be war among these developing countries, or some countries, but I don't think that China is prepared to be involved in that kind of a competition because it is inefficient.

MR. PAAL: You're making Tom Friedman and Joe Nye very happy.

I see a question way in the back of the room, at the entrance – young lady. Way back, farther back. Yeah, she had her hand up first.

Q: Thank you. We know that there are two major summits in this month. One is the APEC summit and one is the East Asia summit. So it means President Hu Jintao and President Obama will have two more meetings with each other. So, what are your expectations from the China-U.S. interactions on these two summits? Thank you.

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MR. YAN: Well, first of all I think that these kind of summits are very positive to help improve the relationship between these two countries, but only in short term. And, you know, Hu Jintao and Obama signed a joint statement in November of the – November 2009. And then China and the U.S. have difficulties and diversities at the Copenhagen meeting just one month later.

So now there's the summit, and not only China uses the summit. I think for the whole world summit becomes less and less effective for improve the relationship than before. The reason is very simple: because the leaders have met with each other too frequently. (Laughter.)

So if you have the leaders to meet with each other every five years, that meeting will be very, very substantial and the joint statement can play a very important role. For instance, the joint communiqué of 1978 really governed our relationship for 10 years, and the joint communiqué is very, very effective.

And now you cannot expect any joint statement between China and the U.S. to have the function – to play the role for 20 years. That's too difficult. So that's my judgment.

MR. PAAL: Just on a technical point, there will be two summits but the first one will be President Hu Jintao with 20 other leaders and President Obama. And the second one will be Premier Wen Jiabao –

MR. YAN: Yes.

MR. PAAL: – in Bali, and not Hu Jintao.

MR. YAN: Yes.

MR. PAAL: They've split the duties up in China.

A question in the front row here, please? And please identify yourself and your affiliation.

Q: Bill Tucker. I'm an international trade consultant and a lawyer. Two questions, one in regard to the amount of oil that goes to the United States.

Most of the U.S. companies did not participate in the first round of bids. The Chinese companies did. U.S. companies did not because Iraq wanted to pay per barrel instead of entering into production sharing contracts, which the U.S. is accustomed to.

So the Chinese companies got involved earlier and they naturally are going to export what they can export to China. What effect does that have in the differences, as you described?

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MR. YAN: OK.

Q: Secondly, what effect is the one-child policy going to have in China? I've done a lot of business in China, and what I've observed is they're raising a whole generation of spoiled brats. (Laughter.)

MR. YAN: Well, the first question is that, from my understanding, nowadays the companies, to get the oil it's actually not for the usage of their country, not for the use of their economy. Actually they get this oil for making money. So China actually – we bought oil from the Arab countries and then we transfer – for instance, this oil from Africa rarely shipped back to China, is shipped to Europe.

So these oil companies is doing global business rather than – and focused on providing natural resources for the national development.

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So, I think that whether America will get more oil or not is not dependent on the amount – the consumption amount of this country, but depends on the price. That means how much they can make a profit from this oil. So maybe they can have more opportunity to make money from others rather than from the – to purchase oil from Iraq.

Second, about – I think the question is more important than the first one. The demographic issue has really become the serious issue, and because of the Chinese tradition. And people know how to practice tai chi or something. So what – go into the hospital so they can help their body.

So, you know, China's demographic situation becomes really serious. And the people over 65 in Shanghai is over 30 percent. And I think that that's just a leading city. Some other cities just are going to catch up very soon.

And usually in one compound you may have – I mean, if you're talking about a thousand people, could be two or three people over 70s. But now if you go to compound with a thousand people, you can have – over 70 you possibly can get a hundred, something like that, or at least 50.

So, you see, this is a big problem. I don't know how to handle this issue. That's beyond my knowledge. But I know this is a really big problem.

MR. PAAL: A question in the front here from Greg Craig.

Q: My name is Greg Craig. I'm a lawyer in Washington, D.C. and I'm associated with Carnegie.

Professor Yan, in your presentation, you suggested that the rise of China has occurred in the absence of and without meaningful military alliances or alignments, and you suggest that the abandonment of the nonalignment principle would mark a major change in China's approach.

Could you share with us what would be the circumstances – can you imagine the circumstances in which China would change course and decide that it would like to pursue military alignments and alliances?

[00:46:50]

MR. YAN: OK. Well, if our relationship with the surrounding countries continues to deteriorate, I think the Chinese government has no other choice. They have to reconsider our relationship with neighbors.

For instance, and when the Philippines challenged China on this maritime issues and China tried to pacify that and gave them 7 billion (dollars) – or in terms of the trade, actually for our understanding it's a kind of economic aid, and 7 billion (dollars). But then what? And then the Philippine president c his policy just one week after he returned from Beijing to home.

And same with Vietnam. On one hand, they signed the treaty with China and the party secretary signed the joint statement with our party secretary, Hu Jintao. And the next day they have the president to sign the treaty with India to have the joint venture on developing the oil in the South China Sea.

[00:48:00]

So, you see, and if this kind of situation becomes worse and worse and then the leader must ask the question, can we use money to buy friendship? If money doesn't work, how can we do it? My view is that the money will have less and less effect on our neighborhood, and then they will have no other choice and then they will shift toward developing a military relationship with surrounding countries.

I don't mean that we can make every surrounding country become our ally, but then some, and because some countries are willing to. They were rejected frequently by China just because we do not want to change this principle, and certainly this principle was set up by Deng Xiaoping.

MR. PAAL: The second row here. Milton, why don't you wait for the mic? Thanks. There are people in the back who won't hear you if you don't have a mic.

Q: Milton Kotler, the Kotler Institute in Beijing. This is a strategic question.

Management requires two sides, and continuing management requires stability on both sides of the management scenarios. China is likely to continue to have a stable, elite management. But management of conflict also requires that we continue to have a stable, elite management.

Now, what is your view on the stability of the U.S. elite establishment? I have serious questions about that. And you must have, and therefore you must take that into strategic consideration on how can you help to stabilize our elite, or how do you adjust to an unstable decision structure here? That's my question.

[00:50:30]

MR. YAN: Oh, OK. Thank you very much. Well, actually first I'm talking about something related to your question, and then I'm going to answer your question directly.

During the Cold War, the U.S. and Soviet – the Soviet Union and the U.S. managed their conflict so well, and they even can keep the accidents of a nuclear submarine for the whole time until the end of the Cold War and then released. And then the two military can keep the secret from being known.

So, you see, today it's – the situation is – different between China and Japan, and Japan purposefully – every day they announce that there's a conflict. But actually even they do make the – announce that there's anything, but no one knows. The same thing. If these two countries want to cooperate and manage our conflicts, we can do it because you already had the experience with the Soviet Union.

[00:51:26]

Second, I totally agree with you that we need a stable, elite governance or the leadership. Leadership is very important. Actually, there could be a misunderstanding. I really don't know your partisan.

And my understanding is that the Chinese leaders feel it's relatively easier to deal with the Republican leaders rather than with the Democrat leaders because Republican leaders usually ignore the public opinion. (Laughter.) They do not listen to the people. The Republicans do what they like.

So we know what they want. And the Democrats are really – serve the people's interests or follow people's opinion, and if people change their opinion, they change their opinion. So we can never predict. So that's not what I said; that's what Mao Zedong said. (Laughter.) Mao Zedong said – he said the Republicans it's easy to deal with rather than Democrats.

So, if you compare our relationship between the second term of the “junior” Bush and the Obama, our relationship with Obama is not that stable, like our relationship with the “junior” Bush. I know that “junior” Bush's reputation is not as good as Obama in this country.

But then, even American people do not like him very much, but he can make the relationship stable. And Obama gets more support from the people because he cannot stabilize our relationship.

So, from my understanding, that no matter which party wins the election to rule this country for the next four years – and I understand that – the nuclear weapons will make the American government very rational. They'll say, no, we cannot go to war against a nuclear power, second.

[00:53:16]

And in terms of globalization, we need to cooperate with China economically. This is not what I said. This is by Powell. Powell answered the public – the journalists. He said, economically China and the U.S. are strategic partnership. I agree with that. Economically we are partners. But it doesn't mean that we're partners in all aspects, especially in terms of military and a power base.

So we certainly hope Americans can have a stable elite leadership, but even this comes, the change of the leadership every four years, we'll get used to that. We've prepared every four years to deal with a new government. That's it.

MR. PAAL: That's true, Xuetong. You'll be very happy to know that Herman Cain this week knows China has nuclear weapons. (Laughter.)

MR. YAN: I saw that.

Q: Thank you. My name is Jim. I'm a reporter from the Straits Times.

Professor Yan, just wondering if you could talk a little about the new generation of Chinese leaders that are going to come into power next year in terms of, are they going to be much more assertive foreign policy players, in your view?

You mentioned briefly earlier the conversation that Xi Jinping had with Joe Biden. What about in general? You know, what is the attitude of this new generation of leaders towards the U.S. and on foreign policy in general? Thank you.

MR. YAN: OK. First of all, I don't know any individual of the possible members of the new leading group. And second, people really – not only me; I think most people knows very little because they're not very much really part about their individual lives.

So, if we were talking about my impression of the new leadership, I will say – and the new leadership will be different in age, and that means that they have a different experience of their youthhood, and that the new generation will be those people who have experience of hard life, like me. They were sent to the countryside.

And so, only their personal – their youthhood different. It will make them have different personalities. So it's hard for me to make any concrete comments about the possible leadership.

MR. PAAL: Way in the back is a young lady waving her hand.

[00:55:53]

Q: Hello. My name is Leanne (sp) and I'm with DGI. I have a question.

You said you believe China should take on larger responsibilities in the world. Which other Chinese thinkers share this perspective with you, and how do you think this will affect China's long-term policy of “tao guang yang hui”?

MR. YAN: OK, that's a very good question. And first of all, I think that this problem already happened. And some people advocate trying not to continue to keeping the principle of keeping a low profile.

So, keeping low profile is closely related to another principle, that of never taking the leadership, that hold of – never hold the pen or never take the leadership and keeping a low profile. Those three things are developed by Deng Xiaoping.

And so this means that we cannot undertake that much international leader responsibility for the rest of the world. But now, when China get to the number-two largest economic position, then China must reconsider that.

[00:56:58]

So I think this time – and when Hu Jintao went to the G-20 meeting, it already shows that China was considering what kind of responsibility we should take. Certainly Hu Jintao didn't promise any penny to the Europeans, but then, from my understanding, China already gave some help to Spain and Greece bilaterally.

So I think that China is already giving this a kind of a considering, but I could hardly to make the judgment what label to – how much they can undertake. I only know the trend that China is going to take more and more responsibility than before.

MR. PAAL: In the blue shirt on the aisle here.

Q: Thank you. Tao Zhang from China's Caixin (Media. My question is also about China's responsibility to the international order. I just wonder, in your view, in what specific areas China has undertaken its responsibility, and in what areas China has overtaken its responsibility. Thank you.

MR. YAN: OK. Now, if we want to know what sector China is going to take more responsibility, we have to analyze the power structure of China's national comprehensive power. And the economic power obviously is the strongest part, and the weakest part is still the military. And the in between is the political power and the cultural power.

[00:58:42]

And the economy, from my understanding China is already global power. But if we are talking about the political influence, I think China in some ways is still a regional power. And China has a strong political influence in East Asia but hardly have that kind of influence like U.S. and Europe and Latin America, in the Middle East. No, we don't.

And talking about the culture, I think the Chinese culture is very unique. It's gaining momentum. And I think in very – not very long, China's country influence will be larger, stronger political influence. And nowadays in the world more and more young people attend a Chinese class to learn Chinese.

And when Russia was a superpower and Japan was the second world's largest economy, and there's not so many people are eager to learn Japanese or Russian. But today the people so eagerly to learn Chinese. So, my understanding, not very long Chinese cultural influence will surpass its political influence.

[00:59:52]

And then, coming to the military capability, I think China's military capability is still very limited. The reason is not because of the other countries but because of ourselves. And during the first 20 years, the government required the military – Deng Xiaoping require mandatory to tolerate the limited military power.

So China's military stayed there at the same level for almost 20 years. So the last 10 years are just trying to make up the – make up what we lose rather than to make a dramatic improvement. So nowadays I think it takes a very long time for China to catch up with the U.S. in terms of military.

The second thing is it's also very difficult for China to make the military very typical, that China have – PLA have not involved in any war since 1984. So they don't have – they have less and less war experience. Even they have a little bit modernized equipment. So I think that's a very difficult part.

So, I think the influence will be inconsistent with China's power structure. That is, we'll have a global economic influence and a regional political influence, and the country influence from the region, the influence will spill over to the whole world. And militarily is just along our borders at this moment.

MR. PAAL: Well, China is trying to catch up militarily. One of the ways you can do that is for us to stagnate for the next 10 years, which is an active option right now.

In the fourth row on the aisle.

Q: Hello, my name is Daniel. I'm with USTR and Georgetown School of Foreign Service.

[01:02:00]

I appreciated your comments about China and the U.S.' future relationship. I was curious about Taiwan's influence. Do you see Taiwan's relationship with the United States, or continuing economic relationship with China having influence on future U.S.-China relations?

MR. YAN: OK. Well, actually the Taiwan issue was pacified from 2008 when Ma Ying-jeou take over the office. And the situation across the strait mainly depends on the result of the election. If Ma Ying-jeou wins the election to continue his presidency, from my understanding actually the situation will be the same. There's not very much change. But if Tsai Ing-wen take over the power, the situation cannot be so stable like today.

And Soong Chu-yu is a very possible to register for the election, and that will make the result of the election very, very uncertain. So, at this moment we cannot – it is very hard to make the judgment about the next four years. We have to wait for the result of the election.

MR. PAAL: The next election is coming January 14th.

MR. YAN: Yes.

MR. PAAL: Re-election for Ma or election for Tsai Ing-wen or Soong Chu-yu.

In the back here – leather jacket.

Q: Ken Meyercord, Worldox.

The biggest loser amongst outsiders from NATO's aggression against Libya would seem to be China. How do you explain China's abstention on Resolution 1973?

MR. YAN: Oh, that's a very good question.

Well, you see, when the U.S. is talking about the no-fly zone in Libya and China was so cautious, and then we don't know who is going to win. And under the principle of keeping low profile, we didn't want to run the risk.

[01:04:07]

And so they said, OK, this is far from China. It's not our business. And we'd better take an abstention. So, the abstention obviously hurt us and we do not benefit from it and we are – our interests were harmed. And then learned from that, and then when it comes to the Syria issue China say, no, we are going to vote. And we take the veto against this suggestion. OK.

What we learn from the situation in Libya, let's suppose if China becomes a global power, and then no matter Gadhafi or the Benghazi government. And they are looking for China's support.

And we take an abstain, we'll be regarded we do not support any of them. So that means no matter who wins this war, then China will be regarded as a country did not support them in their difficult period.

Let's suppose if it's not China, it's Cambodia take the abstain, what will happen? No matter who win the game, who win the war, the result of that, OK, the winner will say, hey, Cambodia didn't oppose us during the war.

And the same thing happened – and I ask because our international status have changed: no longer regarded as a secondary country, and as a global power. So, same policy are not – no longer serve our national interests.

And I ask the one ASEAN diplomats why the media criticize China? Are not responsible for the Libya issue, but now you do not criticize India, and India also took an abstain. It's that because China take the lead. I said, why you don't think India take the lead? They said, we never heard the weak take the lead and the strong follow the weak.

[01:06:17]

So, this is what we learned. So, in Chinese we have a saying that when leaders shake hands with you, that means it shows his care, his kindness towards you. But if you shake hands with the leaders, that means – (inaudible). So you see, the same action but will be interpreted as a different meaning.

That means China learned from the result of our policy on Libya. So that's why in the future I'm a hundred percent sure China learned that we take responsibility for this world, not only for others' interests. We have to take international responsibility for our own interests. That's why my prediction that this speech in the white paper – China's peaceful development – is sincere. That means China is going to take more responsibilities.

MR. PAAL: I think it should be pointed out that the difference between China, Cambodia and India on Libya is you had 36,000 Chinese workers in Libya when the events broke, and had to be rescued, and 15-plus billions of dollars in contracts, which neither India nor Cambodia had.

On the aisle here?

Q: My question relates to your comment – James Stang (ph), IBM research emeritus. My question relates to your comments looking forward about the importance of human resources.

There's been a lot of criticism in China about the quantity, quality of the educational – output of the educational system. I know quantity-wise you're throwing money at it. As an academic, could you say – do you have any comments on the quality of the educational system but also the kinds of quality it's producing?

MR. YAN: OK. Actually, in China there is a strong opinion that China should not enlarge the number of the undergrad – under-students because they said the new universities cannot provide a qualified education for the kids. I think that is totally wrong. And from my understanding, poor quality of education is better than nothing. And why if you do not educate them is better than for the kids to receive the low-qualified education?

[01:08:52]

The second, I think China needs to – in terms of quality of education, I think China's under-education is OK. It's not that bad. And just in comparison with the U.S. education, we're – (inaudible) – in terms of graduate education.

The graduate education means that you help the students to improve their creativity. But, unfortunately, the Chinese students, generally speaking they're very smart learning. But actually, when they come to do the invention or the creative research, are not that capable than an elite university here.

So, generally speaking, I think the Chinese education in terms of under is OK, but the graduate education really needs improvement.

MR. PAAL: Way in the back?

Q: Hello, Professor Yan. I'm from Georgetown Public Policy Institute, and I just graduated from Beijing University this year. I have a question –

MR. PAAL: A rival school to Tsinghua. (Laughter.)

[01:09:59]

Q: Yes, that's true.

I have a question about Chinese civil society, that we all know the Chinese government always opens a door to the public in the policymaking process. And in what way do you think that Chinese civil society can influence the government, or maybe, furthermore, one day can lead kind of political reform in China? Yes, thank you.

MR. YAN: On the first, I don't think in China the civil society will develop the same like the U.S. because these two countries are so different and Chinese culture is inherited from their life, from their ancestors. You cannot change a people with that kind of traditional thought.

And at home they're educated by their – from the very young they are taught to respect their parents, don't talk back to their parents. And the children do not have the equal status as parents at home. So you cannot expect the Chinese culture will help to contribute to the same civil society like the United States.

For instance, in China the parents usually warn the kids when they go out. They say, don't fight with others. But in this country the parents warn children, don't let others take advantage of you. So that's very different.

So, from my understanding, the expectation of China to become like the U.S. in terms of civil society is too high.

MR. PAAL: Yes, in the back?

Q: Thank you so much for joining us today, Professor Yan. My name is Winston Chan (ph). I'm a clean energy consultant that has some business in China.

I noticed that Beijing recently realized the need to facilitate its soft cultural power on the international stage, and to really appear and be recognized as a responsible global citizen.

One direct response this year is that China made a rapid ramping up of its media outlets throughout the world, and that includes CCTV headquarters, from Nairobi all the way to new headquarters here in Washington, D.C. within the last few months. China Daily now writes out of the Empire State Building.

[01:12:22]

This obviously facilitates a nonmilitaristic approach towards partnerships and cooperation. And you mention that the contemporary important – the contemporary importance of communications technology to global relations.

So my question is, what kind of – what kind of impact can efforts to change public opinion through media outlets achieve, and can it influence – if it can influence public opinion, how much can that influence international relations?

MR. YAN: OK. The term of “soft power” was invented by American scholars and it became very popular in China. And, actually, from my understanding, the American scholars or the politicians did not make a very clear distinction between the soft power and smart power. And, actually, from my understanding, I don’t think they can make a clear distinction of how different they are.

[01:13:09]

And, actually, for the Chinese scholars, we divided the soft power into two elements: the cultural power and the political power. And so the people divided into two groups, and some people advocated to enlarge or improve our cultural power. And the people like me, and we’re a minority, we think we should improve our political power rather than the cultural power because we regard the culture as resources, like the military and the economy.

And the culture, like the economy and the military, if you do not use them, they never have the positive impact, just like if you have money you do not spend it on the right way, use money to take a drug, it doesn’t mean that money helps you. And the same – the culture the same. If you do not use the power of culture positively, then the culture will hurt you and not help you.

So, from my understanding, in China the government obviously accepts the previous group’s opinion. That was, emphasize and improve the cultural power rather than the political power.

So, very recently the party – a party conference just issued new documents, and focused on the Chinese culture. And mainly they stress how to improve China’s cultural soft power. They put these two things together.

MR. PAAL: Are there questions? In the back.

Q: Eric McVadon, the Institute for Foreign Policy Analysis.

I notice that in 2010 there was a severe disruption of the military-to-military relationship and my colleagues said some pretty harsh things. In 2011 that seems to have been turned around, as I think Doug Paal was one of the early people to note. And I wonder if you can explain why the PLA has shifted gears on this issue.

[01:15:22]

MR. YAN: OK. Well, in 2010, China cut off the military contact with the U.S. because of the arms sales to Taiwan. And this time China only cut partially of the military-to-military contact. And the reason is that, from my understanding, because this time American government gave us some consideration about what kind of weapons are going to sell to Taiwan. And mainly I mean no F-16s.

Q: C/Ds.

MR. YAN: F-16C/Ds, right, and only sell the improved F-16A/B.

And so, I think when the American officials, with China, talked with – I mean the military people talked with the PLA about how does the PLA respond to it, and also including the general chief with the U.S., and they gave a very

clear response, is that how to respond to American arms sales to Taiwan depends on what you sell. So that's why this time they didn't cut off – they didn't totally cut off the mil-to-mil contact.

[01:16:37]

MR. PAAL: Well, seeing no more questions, I'm going to ask you all to join me in thanking Yan Xuetong for stimulating us extremely well this morning. Thank you. (Applause.)

MR. YAN: OK, thank you very much.

(END)