



A New Strategic Roadmap for Sino-American Relations

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DOUGLAS H. PAAL: Good morning, everyone. Welcome to the Carnegie Endowment for International Peace. My name's Doug Paal. I'm the vice president for studies here and handle the Asia program. But today it's my great pleasure to welcome all of you to join with me to hear from a person who's been a great friend of the United States for many years, great representative of Australia, a Queensland representative in the Australian Parliament, prime minister from 2007-2010, foreign minister. You've got all that in your biography.

Some of us in the room have been participants over the last 17, I think it is, years in the Australian-American dialogue, leadership dialogue, and one of the treats of that dialogue has been to work with Kevin Rudd to handle the questions of the day as the Cold War ended and the new issues of the shaping up of Asia and Australian-American relations.

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And throughout that period Kevin Rudd has been an assiduous student of Chinese and American foreign policy. He's been someone who's offered us a lot of friendly advice, even when it doesn't sound so good. (Laughter.) He's also been, as noted in the little biography you have there, someone who helped to steer the United States and Asia toward a – the beginnings of an architecture for the future, both in the G-20 arrangements in the aftermath of the financial crisis, where he played a big role in persuading President Bush that this was the right way to go, and in the construction of the East Asian Summit and getting the United States finally to be an active participant in that summitry.

That's all by way of a very short introduction for someone who I think is going to bring us a lot of his wisdom today. He's fresh in from Beijing overnight, so we have to be understanding of the stresses of jet lag and there rest.

But ladies and gentlemen, it's my great pleasure to introduce the Honorable Kevin Rudd. (Applause.)

KEVIN RUDD: Thank you. Thank you.

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Thank you very much, Doug, for that very kind introduction. And I have valued the friendship that you and I have developed over the last several decades now. I recall in particular your extraordinary public service as the American representative in Taiwan in a very difficult period of the U.S.-Taiwan-China relationship. So I acknowledge that here and as someone whose expertise on all matters Chinese is next to none here in Washington, D.C.

I also thank the Carnegie Endowment for their kind invitation to address you today on the great and continuing global challenge of avoiding war and preserving the peace.

The endowment's rich history over the last century has brought together political leaders, policymakers and public intellectuals from all countries to contribute to this great debate. The endowment also exhibits, I believe, a rich future, as demonstrated in the great work now being done by the Carnegie-Tsinghua Center for Global Policy in Beijing, where I am also a visiting scholar and

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where Professor Paul Haenle, as director, is doing great work in promoting these great policy debates in the world's new emerging great power, the People's Republic of China.

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My argument to you today is as follows:

One, that the strategic trust deficit that now exists between China and the United States is widening.

Two, that there are now a plethora of emerging security issues, both across Asia and beyond, that are increasingly capable of conflict escalation and where the absence of basic levels of strategic trust between China and the U.S. make the task of issue management increasingly problematic.

Three, that President Obama's second term and President Xi Jinping's first provide a unique window of opportunity to construct a new framework to begin building strategic trust, step by step, although this window will not remain open indefinitely.

Four, that the inertia of the Chinese bureaucratic system renders it institutionally incapable of generating such a framework, in which case the U.S. will need to take the lead.

Five, the U.S. should propose to the Chinese a new strategic roadmap for U.S.-China relations containing a work program for step-by-step progress in discussing and resolving a range of manageable bilateral, regional and global security issues, thus also building strategic trust step by step.

Six, that such a strategic roadmap for U.S.-China relations should be presented as a constructive response to President Xi Jinping's call for a new type of great power relationship, "xinxing daguo guanxi."

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Seven, that such a roadmap of step-by-step strategic cooperation with China is entirely compatible with traditional U.S. hedging strategy against a range of possible Chinese strategic futures.

And finally, that the escalating tensions on the Korean Peninsula may in fact require a new level of strategic discourse in the U.S.-China relationship sooner rather than later if escalation is to be contained, particularly given the unpredictability and political inexperience of Kim Jong Un, the domestic political pressure on newly elected President Park in South Korea to respond in kind to any fresh military provocation from the North, and the absence of a Chinese Plan B if hostilities were to erupt.

Let's talk a little about the strategic context. The political, security and strategic environment in the Asian hemisphere is now more fractious than at any time since the fall of Saigon. We're all familiar with the list: the South China Sea and the resulting stress fractures within ASEAN; the ancient and modern nationalisms now on display in the East China Sea; the emerging threat of state-sponsored nuclear terrorism on the Korean Peninsula, the U.S. rebalance to Asia and China's

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reactions to it; the rapidly compounding asymmetric threats concerning cyberattacks and cybersecurity, not to mention the continuing political tensions generated by those hardy perennials, human rights, intellectual property rights and the Taiwan Straits.

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Of course the historian's discipline teaches us that every generation believes its security challenges are unique. Nonetheless, the same historians remind us that there are times in human history that the sheer density and complexity of political and security challenges on the agenda begin to reach a critical mass or a tipping point. The truth is these things are usually identified with only 20/20 hindsight, rather than with 20/20 foresight.

Still, there are a number of factors characterizing our current circumstances in Asia that should give us all genuine pause for strategic and political thought.

First, of course, is the rise of China itself and the prospect that within the next decade China is likely to become the largest economy in the world, so that for the first time since George III was on the throne, a nondemocratic, non-Western, non-English-speaking country will dominate the global economy.

Second, international relations theorists warn us that in times of great power transition, particularly when a rising power begins rapidly closing on an established power, periods of acute strategic instability are likely to arise.

Third, at the same time, we also see the rise of a new range of almost 19th century nationalisms across Asia, giving expression to long-standing deep-seated cultural and even racial animosities, as well as a range of postcolonial political reactions to what is often regarded as the decline of the collective West.

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Fourth, a general consensus across much of Chinese elite opinion that the U.S. and its allies are engaged in a collective policy of de facto containment of China, aimed at preventing or constraining China's natural rise and the resumption of China's historical position of regional and global greatness.

And fifth, as China rises, combined with powerful political strategic cocktail of regional uncertainty and in some cases instability, there is a continuing policy question mark over how a powerful or dominant China would in fact exercise its regional and global influence and how it would in fact seek to change the current international rules-based order.

My argument to you is this: These are not just the ordinary questions confronting each generation of foreign policy theorists and practitioners. These are very large questions. They are in fact suggestive of the early debates confronting a regional and global order, beginning a long period of transition.

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And the open question in the back of the minds of all policymakers in the – is whether the current postwar rules-based order, based on liberal institutionalism, underpinned by American power, will survive its centenary, as we approach 2045, in its current form.

Let's talk about U.S. strategic frameworks. Given these changing strategic circumstances, here in Washington it's important to ask whether current U.S. strategic frameworks for managing China's emerging regional and global role are sufficient for the future task.

U.S. strategic doctrine towards China has undergone many evolutions since 1949, from Cold War containment through to Sino-U.S. strategic cooperation against the Soviet Union; through to a more nebulous concept of strategic engagement; through to calls for China to become a responsible global stakeholder, which, on balance, the Chinese concluded, might have been conceptually accurate but nonetheless politically condescending; through to the current hedging strategy, under which the U.S. accepts that China becomes increasingly – against – the current hedging strategy, under which the U.S. accepts the reality of strategic competition against the possibility that China becomes increasingly aggressive, while at the same time pursuing the second part of the strategic hedge – that is, strategic cooperation in nonsecurity spheres in order to encourage China's long-term embrace of the current rules-based order as the best guarantor of China's own long-term interests.

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China's continued rise over the last 30 years has rendered redundant many – but by no means all – of these strategic concepts. The truth is, the United States and its allies have concluded that the strategic logic of a hedging policy remains the most apposite for dealing with the complexity and uncertainty of China's emerging international reality.

But the question arises as to whether the current almost binary nature of the hedge continues to be the most effective instrument in the foreign policy toolkit available to the United States – that is, competition and security policy, cooperation in nonsecurity policy domains, in the expectation that the latter ultimately ameliorates the former.

Strategic competition will of course remain a foundational reality within the U.S.-China relationship, where the U.S. is likely to maintain military preponderance over China at least until midcentury.

Nonetheless, my argument is that the strategic cooperation part of the hedge is in need of some revision. It is no longer sufficient simply to say to the Chinese that the current rules-based order is very good for you; therefore, please support it and, given your emerging resources, please strengthen it. From China's perspective, this rules-based order is still seen as a political imposition from the collective West together as part of the postwar settlement, although it must be noted that while China maintains this critique, to date it has offered no alternative rules-based order to replace it.

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A more useful approach may be to cause our Chinese friends to conclude that the broader strategic cooperation with the United States may be more immediately desirable from China's own perspective in dealing with China's current range of national security concerns, both regional and

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bilateral. For example, can the U.S. help China manage down the raft of security tensions which China now confronts in both the East and South China seas? Furthermore, could the United States constructively work with China in managing down South Korean reactions to Kim Jong Un's increasingly threatening political hyperbole and possible military action? Most importantly, could the United States constructively work with China in working up de minima rules of the road in the two countries' increasingly vexatious cybersecurity relationship? And finally, could these elements of strategic distrust, ultimately turned around, step by step, incrementally, to overcome the yawning trust gap that currently divides Washington and Beijing?

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Let's talk a little bit about Chinese strategic frameworks. Chinese strategic frameworks for conceptualizing their future relationship with the United States and the world more broadly are equally important in this overall equation, just as Chinese strategic concepts of their own future previous positions towards the global and regional rules-based order itself.

Over the last 35 years since Deng initiated the current period of economic reform and opening to the outside world, we have been treated to a cornucopia of foreign policy concepts that have invariably escaped precise definition. On China's international role, Deng Xiaoping preached what has been interpreted as the strategically ambiguous doctrine of "hide your strengths, bide your time, never take the lead but do some things." In Chinese – (in Chinese).

We've also observed the debate about China's peaceful rise and then about China's peaceful development – (in Chinese). We've also seen the literature on China's renaissance – (in Chinese). More recently we have discussed Hu Jintao's dual concept of a harmonious society at home and a harmonious world abroad – (in Chinese).

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Of course, given China's rapid development over the last 30 years, we understand that the reconceptualization of its international role remains a work in progress. As Professor Yang Chuetong (ph) of Qinghua University, colleague with Carnegie's own work at his university, said last year, when the world asks China, what do you want to be, it doesn't know, and that's the problem.

Enter President Xi Jinping's recent definitive embrace of what he calls the concept of a new type of great power relations. Twelve months ago while visiting Washington, then-Vice President Xi Jinping said that there were four elements to a new type of great power relationship between China and the United States: increasing mutual understanding and strategic trust; respecting each side's core interests and major concerns; deepening mutually beneficial cooperation; and enhancing cooperation and coordination in international affairs on global issues.

China's declaratory commitment to this new framework for its bilateral engagement with the United States was further underlined during last year's U.S.-China Strategic and Economic Dialogue when Hu Jintao stated, and I quote, "We should, through creative thinking and concrete steps, prove that the traditional belief that big powers are bound to enter into confrontation and conflicts is wrong and seek new ways of developing relations between major countries in the era of economic globalization," unquote.

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Since Xi Jinping's confirmation as general secretary of the party, chairman of the military commission and now president of the country, the phrase "a new type of great power relationship" now litters the official promulgations of the Chinese foreign policy establishment. In fact, the concept is now being taken more broadly, at least in Xi Jinping's most recent Moscow speech, to embrace not only a new type of great power relationship but also a new type of international relations system – (in Chinese).

However, if you ask both government officials and think tanks to provide a more precise definition in Beijing of what these new concepts actually mean in terms of Chinese foreign policy practice, then you are quickly told that this is too very much a work in progress. Or as one colleague observed to me over the last several days in Beijing, the think tanks are now scrambling to put flesh on the bones of Xi Jinping's new idea.

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Nonetheless, I do not believe this is a problem for the United States, the West and the rest. In fact, I would argue it presents an opportunity for the U.S. given that it now provides a new form of language to describe the China relationship in terms which are not confrontational as well as providing an opportunity to flesh out, with the Chinese, what this new cooperative formulation might actually be made to mean in practice.

My overall point is that working constructively with the conceptual and linguistic constructs of Chinese foreign policy formulations can be useful given Chinese conclusions that the entire theory and vocabulary of current international relations is largely a Western invention. The opportunity therefore arises for the U.S. and others to interpolate their fundamental interests, values and conceptual frameworks wherever possible within the nomenclature put forward by the Chinese.

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This is a complex but nonetheless achievable objective. The alternative is often to see two sides talking past one another, with much lost in mutual noncomprehension and pure mistranslation. As a realist with liberal internationalist – within the liberal internationalist tradition, I don't have any utopian views about these possibilities. The reality is that core strategic concepts and interests between China and the United States remain. The creative challenge, however, is how to manage down these areas of potential conflict while managing up cooperation in other political and security domains.

That's why I found it heartening to read in Chinese reports of President Obama's congratulatory telephone call on Xi Jinping's appointment of Chinese president on 16 March. The U.S. president was quoted as saying that – and I quote – "The U.S. hopes to work with China to build a new type of relationship based on healthy competition," unquote.

Five days earlier President Obama's national security adviser, Tom Donilon, appeared to be even more supportive of Chinese conceptualizations of the future of the relationship. Donilon stated in his Asia Society address, "I disagree with the premise put forward by some historians and theorists that a rising power and an established power are somewhat destined – somehow destined for conflict. There is nothing preordained about such an outcome. It is not a law of physics but a series of choices by leaders that lead to great power confrontation. Others have called for

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containment. We reject that too. A better outcome is possible,” Donilon continued, “but it falls to both sides, the United States and China, to build a new model of relations between an existing power and an emerging one. Xi Jinping and President Obama have both endorsed this goal,” unquote.

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Both the Obama and Donilon statements concerning a new type of relationship with China have been carefully noted by the analytical and policy communities in Beijing. The question arises, therefore, as to how to best integrate both Chinese and American conceptual frameworks for the future of their strategic relationship while at the same time attending to the raft of emerging security policy challenges that currently confront the relationship and, in doing so, how to best bridge, step by step, the yawning trust deficit between the two countries that from time to time threatens to derail the relationship altogether.

I argue that the administration should take Xi Jinping and his concept of a new type of great power relationship at face value and turn it into a work program for a series of regular summits between the two leaders. I've argued for the last 12 months that Xi Jinping is a leader that the United States can do business with. I've also argued before that he is politically self-confident, given both his personal and family pedigrees, both on military and the economic reform fronts. Unlike others, he has nothing to prove to either of these constituencies. He's confident of his background in both. By predisposition, he is unlikely to be bound by the absolute disciplines of collective leadership and will end up being more than a simple *primus inter pares*.

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Based on every discussion I have had in Beijing on the future direction of China's relationship with the United States, that relationship, from Chinese – China's perspective, will be determined by Xi Jinping himself. He has a very personal interest attached to the future of this relationship. He believes his presidency will be judged by it in part.

It is of course transparent from his public statements that Xi Jinping also wants to build Chinese state power. But it is equally clear Xi Jinping believes that China needs another 30 years of strategic stability in order to realize its economic modernization mission, or Xi Jinping's dream – (in Chinese) – for China, that by the Communist Party's centenary in 2021 China will have become a moderately prosperous society in all respects and that by the PRC's centenary in 2049 that, quote, “The great renewal of the Chinese nation will inevitably have been accomplished,” unquote.

For these various reasons, I have long argued that Xi Jinping is someone that President Obama himself could do business with. That does not mean that long-standing strategic agreements can automatically be overcome. What it does mean, however, is that in Xi Jinping, there is sufficient personal political authority, sufficient open-mindedness, a sufficient sense of a fresh start after what is seen domestically as 10 wasted years under his predecessor and sufficient congruence between the U.S. and China across a number of common national interests to begin the conscious process of building long-term strategic trust.

That's largely why I wrote an article for this month's Foreign Affairs magazine entitled “A New Strategic Roadmap for U.S.-China Relations.” Many of the arguments contained in the article

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are built on those outlined in my addresses to both the National Defense University in Beijing last December as well as to Brookings here in Washington at the same time – well, a few days after. (Laughter.) Let me recap on the core arguments that I put forward on that occasion and in the article.

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First, the U.S. and China need a program of regular summitry, two or three each year, with a mutually agreed work program on strategic trust-building exercises for the future, rather than simply the political issue management of the day. There'll always be a truckload of them. Bilateral dialogues between officials are fine and dandy, but it's heads of government who make things happen.

Two, each side needs a point person on the bilateral relationship who can speak authoritatively for each administration, who can move the work program forward between summits as well as handle day-to-day issue management as it arises.

Three, both the U.S. and China need to identify at least one item within the current global rules-based order which is not working and demonstrate together that they can make it work. Previously I've cited examples of stalled WTO negotiations, climate change negotiations and the nonproliferation agenda, the latter being particularly important given both North Korea and Iran.

Four, both the U.S. and China should work with the members of the East Asia Summit to build a comprehensive set of confidence- and security-building measures to the Asian hemisphere, with a view to building strategic trust step by step and reducing the risks of conflict escalation through miscalculation in Asia.

Five, U.S.-China mil-mil dialogue needs to be taken to a new and sustained level at the level of the chairman of the Joint Chiefs of Staff. This enhanced military dialogue should also deal as a matter of urgency with the vexed question of cybersecurity, which, at present, has the capacity to begin to tear the relationship apart unless some level of mutual trust can be established.

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Six, China and the U.S. should begin discussing China's eventual accession to a Trans-Pacific Partnership in order to create a basis for new common prosperity through a free trade regime in Asia and the Pacific. This will boost economic growth and employment in all countries, and both employment and growth are severely challenged by the continued state of the global economy.

And seven, the U.S. and China should accelerate their global economic cooperation on global macroeconomic stability through the G-20. This must focus on the identification of the next drivers of global economic growth, consistent with the Pittsburgh declaration of 2009 on strong, sustainable and balanced growth. Failure to produce a result on this continues to plague the prospects for global economic recovery.

I also argue that other irritants in the U.S.-China relationship which are not of a strategic nature should be dealt with in other forums and not be allowed to affect, and therefore infect, the strategic role of the sort of summitry I propose.

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Let us return for a moment to Xi Jinping's framework 12 months ago. President Xi emphasized the importance of respecting each other's core interests and major concerns. From time to time China's definition of its core interests have changed – has changed. It is of course ultimately a matter for the Chinese people what political system they choose for themselves. The international community accepts Chinese sovereignty over Taiwan, Xinjiang and Tibet, although different countries have different formulations in relation to Taiwan.

Of course, the international community has a different view concerning China's territorial claims in the East and South China Seas, where a number of China's neighboring states dispute China's claims and where other countries around the world by and large maintain a neutral position, urging all parties to use peaceful diplomatic and/or international legal institutions to resolve outstanding claims.

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In this context, U.S. failure to ratify the United Nations Convention on the Law of the Sea, UNCLOS, has not assisted U.S. diplomacy in urging all parties to these disputes to resort to the International Tribunal of the Law of the Sea. If the U.S. accepted the UNCLOS jurisdiction, it would make it more difficult for China to decline to accept the tribunal's jurisdiction as well. We should all remember the tribunal exists for a purpose: for the international community to peacefully resolve maritime territorial disputes and therefore avoid a repeat of the armed conflicts we've seen in the past.

Within the broad framework of core interests and major concerns, our Chinese friends would also appreciate that other countries in the region have profound concerns about both the nuclear weapons and ballistic missile programs of North Korea, particularly given the developments overnight and the recommencement of work at the Yongbyon reactor, and the inflammatory language concerning its preparedness – that's North Korea's – unilaterally to use armed force against the South and other unnamed aggressors in Asia. I discussed China's policy towards North Korea at length in my address to China's National Defense University last Thursday. If any of you are suffering from insomnia this evening, I direct your attention to that address, which is on my website. (Laughter.) I've also discussed – it had the same effect on the Chinese military officers attending. (Laughter.) I have – I have also discussed this matter extensively with Chinese officials and earlier this week with President Park in Seoul.

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My overall point, however, remains, on the broad question of core interests and major concerns, there is likely to be both agreement and disagreement about where the parameters might lay – might lie, but there is plainly much scope for a strategic-level discussion between the principals. As for the other elements of Xi Jinping's broad definition of a new type of great power relationship with the United States, these can broadly be accommodated within the framework of the new type of strategic roadmap that I've recommended for the future of this important relationship. Remember, these deal with deepening mutually beneficial cooperation, enhancing cooperation and coordination in international affairs and on global issues and deepening strategic trust. There is much I believe the United States can work with in these areas as well.

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And when push comes to shove, I doubt that the Chinese will allow the possibility of a new period of strategic cooperation between the United States and China to flounder on the question of whether Chinese core interests included or excluded the South China Sea. A realist in Beijing would not accept the United States de facto to accept Chinese position on either the East or South China seas. Rather, realists would instead argue that China is much more interested in the operational characteristics of the U.S. stated position of neutrality on these conflicting territorial claims.

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To conclude, the truth is that if a new strategic roadmap for China-U.S. relations is to be developed, the initiative is going to have to come from the Obama administration itself. Chinese bureaucracy is characterized by policy inertia. There are no rewards in the Chinese system for sticking your neck out by advancing a bold new strategic direction for the Chinese on something as sensitive as the U.S. relationship or the impact of that relationship on China's interests in Korea, the East China Sea, with Japan and in South – in the South China Sea with ASEAN.

Of course, if the Obama administration does take the initiative in seeking to frame a new type of relationship with the Chinese, it's not guaranteed of success. But the alternative is to allow strategic drift to set in where drift sees strategic competition ultimately trending towards conflict or even war.

I've often said there is nothing determinist about international relations. In international relations, like domestic politics, we get to choose our futures, the destination points we seek and what policy actions what must be taken in order to get there.

In the case of China, this involves the re-engineering of our strategic mindsets. At present the default setting with those mindsets is one of a decisively negative nature. What is recommended here is not some high-minded exercise in foreign policy idealism; rather, it is grounded instead in strategic realism. It accepts that as part of a properly conceived and implemented hedging strategy, strategic competition continues but is equally realist about the need step by step to build strategic trust and to reduce strategic distrust, thereby creating strategic ballast in the relationship for those times when that ballast will need to be drawn upon to deal with the strategic tensions of the time.

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The truth is we still do not know what China's long-term intentions are for the future regional and global order, nor do they. Within China, that is still very much a work in progress. But if through a strategic roadmap for China-U.S. relations, we can also cause the Chinese to conclude that it is in their own best interests to continue to support, sustain and strengthen the current global rules-based order, then we are also helping to shape China's own long-term domestic discourse on what role it wishes to play in the world in the future, if indeed during the 21st century it does in fact become the world's next superpower. Time is short, the window of political opportunity may be limited, and the security issues at stake are increasingly important – in the case of the Korean Peninsula, urgent.

Perhaps President Obama could set the ball rolling by inviting Xi Jinping to a working weekend visit to Camp David – it would be the first by a Chinese leader – so that they could get to know each other well, work out whether they believe they can work with each other on a forward-

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leaning agenda, and what in broad outline that agenda might – be well prior to their formal engagement in St. Petersburg in September.

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I thank you for your attention. (Applause.)

MR. PAAL: Well, thank you, Kevin, for a real tour de force in pulling together what is a series of challenges in American – to American policy in the Asia-Pacific region that tend to come at us in our national style as one damn thing after another, and we don't integrate them and try to get to the core of what would be a working strategy. I think you performed a tremendous service laying out a pragmatic, realistic and deeply knowledgeable set of proposals.

You referred to the – early on in your remarks – to the window opportunity, which will not remain open forever. Can I push you a little bit on that and ask you, is it a window of opportunity, or are we at a crossroads where if we miss it, some very bad things are going to happen, and therefore, there should be even greater urgency in the consideration the administration should give to the proposals you've made?

MR. RUDD: Definitely a window and possibly a crossroads – a window because the administration in Beijing is new, the personnel are changing, not just at the top but those around them as well. And this new conceptualization that I've spoken about, a new type of great power relation with the United States, is now the central organizing principle. But the field is still vacant in terms of a further definition of what that will actually mean in Chinese foreign policy practice.

That will not be the case for much beyond the next year or two. Given the way in which Chinese think tanks and those who advise the Chinese government work, they will themselves try and provide their own definitions of what is meant by this and I think over time, therefore, reduce, therefore, President Xi Jinping's current level of policy and political flexibility in, frankly, taking this concept in a direction which is, I believe, compatible with where the United States wishes to be as well. That's my first point.

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The second is in terms of crossroads. What do I worry about? Well, many things, actually. But the – one that really worries me is it will simply take one of the region's powder kegs to explode to permanently retire the possibility of building such a relationship of what I described as step-by-step strategic trust.

Of course, the worst powder keg to go off is Korea. And that is a matter which is under the deepest and most high-level scrutiny in Beijing and, I'm sure, in Washington as we speak. Who knows where the competing nationalisms of the East China Sea take us unless they are managed down.

In the South China Sea, the United States may have influence to bring to bear on its ally in The Philippines, but remember, the principal conflicting claimant state with China is Vietnam. And therefore, you cannot rule out the possibility of some form of conflict there as well.

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So I suppose what I'm saying, Doug, is a crossroads would be: If we actually have a significant regional dispute without – even without direct American participation on any of these issues in the period ahead, then I think we definitely are at a crossroads.

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My final point is, remember also, in China's self-conceptualization, its trajectory is like this on the economy and the body of internal literature which says that Chinese economic growth must be paralleled by what it's doing in terms of military modernization. And those who observe Chinese military capabilities closely will note that process is well under way. It's still nowhere near where the United States is and won't be the better part of another 30, 40 years, but there is frankly, as these capabilities increase, arguably a lesser predisposition over time to engage the U.S. on the rules of road for East Asia, the rules of road for the global order more broadly. So I think I'd be most attentive to two sets of factors: One is a major regional security incident and/or conflict; and two, frankly, the evolution of China's own self-perception about its aggregate economic and military power.

MR. PAAL: Let me raise one more issue before I open the floor to the audience. China has just reshuffled its foreign policy leadership without a significant change in the personnel. Despite the last five years being one where China's neighborhood has deteriorated – relations with Burma, Vietnam, Japan, Korea – in almost all of these places, we've seen a less smooth, less functioning, effective Chinese diplomacy than before, say, 2008. Does that tell – does that speak to your point about policy momentum and – in China? Or does it speak to a lack of interest in their – in what's happening in their neighborhood? If we make an initiative, if President Obama can be persuaded to take the kind of initiative you've outlined, would there be receptivity, in your view?

MR. RUDD: On balance, I would say yes. The Foreign Affairs article I referred to before, which some in the room may have read – it's the current issue – the Chinese internally don't like the first half of the article, which is an articulation of why the rebalance was necessary in terms of the aggregate interests of U.S. friends, partners and allies in Asia. The Chinese, I think, don't mind the second half of the article, which is essentially the elements of a possible roadmap.

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The logic of the article, by the way, is simply this: What – after a decade of, shall I say, security policy distraction from Asia into various theaters in the Middle East, the Chinese had concluded, increasingly, that the United States was in the future not going to remain substantively or significantly engaged militarily, diplomatically and the rest in Asia. That's a very crude summary. Many will disagree with it. I'm simply reflecting my judgment about Chinese perceptions by the time we got to about 2009, frankly, and frankly, a lot of internal Asian perceptions in capitals across the region.

So for various reasons, in the argument I put forward, the rebalance was actually necessary given that – we're not exactly dopes in the region; we do follow what happens with the internal debates on U.S. military budgets in this country. Therefore, if there's going to be a drawdown in U.S. global military capabilities, where is the drawdown going to occur? So (when?) the U.S. proclaims in the rebalance it's going to have 60 percent of its air and naval assets in the Pacific in the future against a general global drawdown, what I constantly say to my friends in Beijing is, therefore,

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what you're looking at is essentially the same force in aggregate size in the Asia-Pacific theater in the future. So guys, you know, chill. (Laughter.)

[00:41:32]

Second point is, diplomatically, I think the important decision by President Obama for the U.S. to join the East Asia Summit, become a full member in the region's multilateral institutional machinery, which has an opened a political and security and economic agenda, is good, I'd re-attestation of U.S. diplomatic engagement. And then finally, I think, U.S. diplomacy around the Trans-Pacific Partnership does the same at a(n) economic-commercial level.

The aggregate message to Asia is, the United States is here to stay. The aggregate message in Beijing is, these guys aren't going anywhere soon, and it's therefore re-established and reaffirmed what I described as the realist fundamentals of where we are in the great power discourse between China and the United States.

That having been done, now, how do we actually build strategic trust step by step and the sorts of measures I outlined in my remarks and the Foreign Affairs article? That's the type – that's the part of the speech the Chinese kind of like; they don't particularly like the first part of the speech.

So will they welcome it? I think – my judgment is, having spent a fair bit of time around the think tanks in Beijing, that it will certainly not fall on deaf ears. If you put forward a proposal called a “new type of great power relationship,” and you're the president of China, and you're likely to be there for the next 10 years, and the American president walks in the door and says, sounds OK to me, so why don't we do this, this and this, it's going to be very hard for President Xi Jinping, sorry, I'm not here, OK? He's going to have to respond – and, in Chinese summitry, respond personally and individually. And the advantage of that is it doesn't simply disappear down a bureaucratic plughole somewhere in the Chinese system.

So I think – and I keep going back to this, Doug – and though folks in Washington may not like to hear it in these terms – the ball is actually in America's court. You are the world's leader. And you're certainly the dominant power in Asia. Use it.

[00:43:46]

MR. PAAL: Well, that's a great affirmation.

Ladies and gentlemen, we're going to open the floor now. I'm going to call on you when you raise your hands. If you would please stand up, wait for the microphone, identify yourself and your affiliation, that will help the process. We'll start here with Stanley Roth in the second row.

Q: Thank you very much for those remarks and your Foreign Affairs article. Could we ask you to give something of your assessment of the transition in China for the internal processes – a lot of speculation beforehand about what might happen in terms of reform, with a lot of focus on the NDRC, an outcome none other than the railroad ministry didn't (seem ?) as sweeping, a lot of questions about the composition of the Standing Committee and whether it's too divided in terms

of appointments to really do much – but still I think somewhat open. How do you see the situation in terms of what it means for domestic reform in China?

[00:44:40]

MR. RUDD: Sure. Thank you, Stanley, and again, I acknowledge your service in earlier administrations when we first got to know each other when you were the point man for East Asia and the work you did at that time.

On the question of the current political composition of the Chinese leadership, fools rush in where angels fear to tread in terms of – (laughter) – being too definitive about these things. But let me make the following remarks guardedly and advisedly.

Number one, my judgment is that, as I said in my remarks before, that Xi Jinping I think will end up being individually the most – individually the strongest leader China has had since Deng Xiaoping. Why do I say that? The reason I say that is because political power in China comes from a number of sources, one of which is the perception of where you've come from in terms of your family lineage. The family lineage from Xi Zhongxun is strong, his father. I'm – Doug and I are both sufficiently antique to actually remember who Xi Zhongxun was – (laughter) – and the role that he played, not just, frankly, in the opening policy as the implementation person for the special economic zones when Deng Xiaoping resumed the leadership in '78, '79, but also, frankly, in earlier attempted periods of reform in Chinese – the Chinese economy way back to the '50s. And he's always been on the more liberal – he was always on the more liberal end of that spectrum.

[00:46:28]

Then there's the military side. Of course, Xi Zhongxun has an impeccable military record in the – in the revolutionary war. And Xi Jinping himself served as private secretary to Geng Biao, the defense minister, in the early 1980s. So he comes to the table with what is perceived to be, frankly, the impeccable CV, out of a major revolutionary family with strong party credentials, strong economic reform pedigree, also himself having run major cities and provincial entities in the – in the '80s and '90s. I first met Xi Jinping when I think he was either vice mayor of Xiamen or mayor of Xiamen way back in the Mesolithic period. (Laughter.) The – I'm talking about my career here, so – the – and then – and then certainly on the military side as well.

Also, there's something about the way in which Xi Jinping simply demonstrates his own leadership style. Against the norms of the last 20 years, I can't point to a single leader since Deng who would simply say, look, I'm not going to shut down the traffic lights, you know? I'm going to just, you know, drive to a meeting and let the – you know, let the normal traffic roll; I'm not going to have a – (in Chinese) – you know, these huge motorcades which shut down Beijing streets for hours on end. I'll go to my meetings in a minibus. This is actually the mark of confidence in doing that sort of thing, because it's so much against the grain.

Thirdly, his dictum about his eight principles for governance, of party governance and behavior, including no more banqueting, no more sort of sterile, formalistic, ceremonial meetings – blah, blah, blah – this is – again, is a huge assault on the Chinese system. And you have to be pretty confident to do that, given that's what your predecessor's been doing for the last 10 years, and they're just kind of sitting next to you in the meeting. So my – every political instinct I have as well

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as analytical sort of conclusion is that this guy is potentially a very significant individual political player and possibly, depending on how we engage him, transformational.

[00:48:42]

On the rest of the team – can I just say this, Stanley – I think you rely very much on two individuals: Wang Qishan, not just for Wang Qishan’s formal role, which is to run the discipline and inspection commission of the party and basically deal with the corruption disease within the CCP, but also as a member of the Standing Committee, which is seven people who meet as a cabinet every week and discuss everything under heaven – (in Chinese) – including the big stuff on the economy as well, where Wang Qishan has a lot of experience. They also depend on Yu Guangsheng (ph), who has just come out of Shanghai.

On the economic team, you’re right to point to where the NDRC will go. I think a good decision has been to retain Zhou Xiaochuan as head of the bank. I think the promotion of Lou Jiwei to become the finance minister is a good step. I am a little more quizzical about the senior appointments at the NDRC, about their strength.

Finally, on the economy and where it goes and economic reform program, the policy script is clear: The challenge is not one of economics; the challenge is one of political economy and making it work. And that’s why I’m a little worried about whether the NDRC at this stage is properly equipped for what I think is a gargantuan task of changing the Chinese economic model.

MR. PAAL: That was a terrific response. In the white sweater back here, six rows back.

Q: Hi, Kevin.

MR. RUDD: Hi, Beverly (sp). How are you?

Q: Hi. (Chuckles.)

[00:50:22]

MR. RUDD: Beverly (sp) taught me Chinese when I was in first-year university in Australia, so –

Q: Oh, but now our roles are reversed. (Laughter.) OK, so –

MR. RUDD: No, my tones are still bad. (Inaudible.) (Laughter.)

Q: I want to ask you – you talk about windows for U.S. government to do. I think Chinese talk about – (in Chinese) – a lot. What can U.S. do? I think this is a big window for U.S. government to help, not just – but also, you know, for foundations like Carnegie to help. I think they would appreciate that. I want your comments on it. Thank you.

MR. RUDD: Sure. I think – the critical challenge now, I think, Beverly (sp), is still at its core right now at the government level. Xi Jinping has the expectations of a country now resting on his shoulders. In terms of domestic political management within China, spare a thought for Xi

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Jinping, as for those of you in this room may have spared a thought for President Obama upon his election four years ago. Expectation management is very, very difficult in politics, and there are high expectations of what Xi Jinping can do. His standing amongst the Chinese masses is quite strong at the moment. You talk to cab drivers in Beijing – and I still do – they actually kind of like the guy, and they think that this reforms and personal leadership style actually means something. They're still looking for the meat and potatoes in terms of what's going to happen to wage levels and price levels and their ability to increase living standards.

[00:52:17]

So in terms of the role of the U.S. government in responding to what I think is something of an invitation from Xi Jinping to craft a new form of right-power relationship, I think there is a critical role now for organizations like Carnegie, and I've seen many of the excellent – much of the excellent stuff which Doug himself has written in recent times on this subject but others as well, which is if you in 2013 were looking at this juncture at the beginning of Xi Jinping's first five-year term and Obama's last four-year term and you were trying to put flesh on the bones of "xing xing daguo guanxi," what would it be? How would you build strategic trust? What can you change from here to here? Not being utopian about it, but frankly, step by step strategic trust-building.

And I can't claim to have any monopoly on expertise there. But frankly, foundations and people with great experience like Doug and others who have been working on China policy for a long time can identify four or five practical things, which, frankly, cannot only just be listed, not only discussed but done and achieved and ticked and then, frankly, become a building block in a much stronger edifice of strategic trust between the two countries. That's where I think the foundations have a role.

MR. PAAL: Well, thank you for that encouragement. We do, in fact, have a very active program over the last six years with China on crisis management, trying to inform each other about how we manage crises and now beginning the process of trying to understand how to anticipate crises and how to manage them for the future. But that's just a very small part of what a lot of institutions are doing in Washington.

Yes, ma'am, in the front row.

[00:54:11]

Q: Yes, Marisa Lina (sp) with Northrop Grumman. I wonder if you would talk a bit, please, about what America's allies and Australia in particular can do to encourage the American administration to move forward on some of these very practical suggestions. And thank you for your remarks.

MR. RUDD: I think, certainly from an Australian perspective, I've seen my own role over many years as trying to, as positively and as constructively but, frankly, as practically possible say, and what can be done next? And lest anyone be of the view that this is simply the sound of one hand clapping, whatever I say here I say in Beijing. And I do the round of organizations like Carnegie, to the extent that they exist in China: the think tanks, the universities, but also the officials and the ministers who I've got to know over many years and whose positions change but, frankly,

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who are engaged in different levels of the political and policy debate, to socialize ideas as well about how you can actually make it work.

[00:55:27]

There is a danger in both of our countries that, frankly – that the extremes of the debate can prevail, that China is an existential strategic threat for the United States long term or that the United States is determined to throttle China's great moment in history to recover its former great power status that it's had at previous times in history.

Frankly, the creative mission up the middle of all of that is to say, we're smart enough to re-engineer our strategic mindsets, we can get along with each other without being starry-eyed about it in terms of ignoring the basic cybersecurity realities, the U.S. Pacific Fleet, Chinese aircraft carrier realities, China's emerging regional missile capabilities, the Dongfengs across the Taiwan Straits, et cetera. I'm not pretending these things don't exist. They do. They're real, and they're a factor in the day-to-day military mechanics of this relationship. But thus has it always been in history and always will be.

The key challenge is how do you construct at the same time, on the cooperative side of the agenda, items which can build strategic trust to the point where those capabilities are, in a generation's time, seen as increasingly redundant? And if you want an historic – historian's view of that, look at the political evolution of Europe in – over the last 100 years. So it's with that in mind that folks like myself try and intelligently occupy a creative space up the middle, never pretending not to be a U.S. ally – I'm always criticizing Beijing for that – but frankly saying, look, here is – here is something we can do together in practical terms.

[00:57:30]

By the way, to add to the question from Beverly (sp) before and to build on this as well, the work which Carnegie does in Beijing through the Carnegie-Tsinghua Center is really good. The work done by Paul Haenle – has previous administration experience here – is really good and, frankly, bringing together the Chinese equivalent of gatherings like this every week in some sort of policy forum, some sort of policy discussion, some sort of aspect of regional or international policy and security policy and, frankly, working on the question of strategic mindsets. It's so easy for us to default into a negative strategic mindset which says, you represent a threat to me, I represent a threat to you, and simply it's just a question of time before there's conflict and war. So I think there's been good practical work done on the ground in Beijing as well.

MR. PAAL: You know, it's – as an illustration of the point you just made, leaders make choices. And if those choices are strategically informed, they can be much more constructive than the ones that are not. And I think back – you've mentioned cyber a couple of times. We've known cyber is a problem for a good decade. It's reached a new level of public awareness, but it's been there as a serious problem.

And when we got the Strategic and Economic Dialogue going back in 2009, the question was, how do we get cyber on the agenda? And it seemed to me that you want to talk with somebody – a party like China about cyber, you've got to talk about the things they're interested in as well as the things we're interested in, or there's no basis for a dialogue.

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Unfortunately, about that time we had the uprising in Tehran, the unsuccessful popular movement in Tehran with a very strong social media component, and that became the infatuation in Washington, and the secretary of state then gave an important speech saying that the U.S. sees the cyber world as a liberating technology and immediately closed the door, inadvertently, on a dialogue with China about how to deal with those aspects of this technology such as international crime, fraud, pornography and the other things where we might have something in common. Choices get made, but they need to be informed by these broader strategic principles.

Next question, please. Next to Beverly (sp).

[00:59:44]

Q: Thank you. (Name inaudible) – from Embassy of Poland. If I may go back to this new foreign policy team in Beijing, because we are fresh from the – do you think – is this significant that expert on Japan and China neighbors became elevated during this transformation and some other experts like, for instance, Wang Huning, who is more strategic – on strategic issue, more broader issue, an expert on the United States, has not been promoted? Do you think it's significant? Does it have any meaning? Do you see any danger that number one priority for China may be now relations with the neighbors, and they may not be so open into priority number two, means new initiative from Washington (this year ?)? Thank you.

MR. RUDD: Sure. I met with Foreign Minister Wang Yi yesterday in Beijing, and we had a long discussion about Korea. The truth is he's an enormously experienced diplomat. And certainly, yes, he speaks Japanese, and certainly he's served in Tokyo a number of times, and certainly he was most recently their ambassador. And in most foreign services around the world, that is seen to be a good thing because Japan is not a small country. It's the third-largest economy in the world, and one which has the occasional problem with China. That was an understatement.

The – and so – but his tool kit is much broader than the – than the Japan relationship. Let's also remember that they don't put people who are lacking dexterity – political and foreign policy dexterity in something as sensitive as the Taiwan Affairs Office, where he's most recently served, I think with considerable ability.

[01:01:39]

So I think I would take a reasonable degree of comfort from Wang Yi's appointment in terms of foreign policy professionalism, but also someone who, because of the immediacy of the concerns either on the Taiwan front or the Japan front, is known to be someone who is not just a postbox, not just the diplomatic channel but someone who has got enough creativity to solve or manage problems as they arise.

As for others – and you mentioned Wang Huning – I'm not quite sure where they'll end up being placed in the system. And there are other players as well.

But on the overall strength of the foreign policy team, if I was just to put a question out there for everybody, is that if Xi Jinping is going to run the U.S.-China relationship very much himself – and I believe he will because it's pretty important, and it's he who's coined the phrase

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“xinxing daguo guanxi,” there’s only one “daguo” that they’re really concerned about, and it’s not Britain, and – (laughter) – well, at least not this century. That – sorry, any British embassy people here I’ve offended. (Laughter.) Didn’t mean to. Sorry. William Hague is a good friend, and we’re members of the commonwealth. The queen’s still our head of state. The – then Xi Jinping is going to have to put around himself some – a senior foreign policy team in or around his office. And those folk – we don’t know who they are at this stage. So let’s just see what happens there.

MR. PAAL: Yeah, in the fourth row, Hank Levine.

Q: Hi, Hank Levine from the Albright Stonebridge Group. Your comments – implicit in your comments seem to be an assumption of kind of continued linear growth for China both in economic terms, in influence in the world and so on. And I guess there are those who, on the other hand, might focus on all the domestic problems, whether it’s corruption, political instability, economic issues, pollution and so on. And I wonder, A, I guess, how you assess the likelihood of those problems derailing this kind of linear growth and evolution of China, and then B, whether or how that affects kind of your thinking about the strategic relationship between the U.S. and China.

[01:04:15]

MR. RUDD: Yeah, I’m certainly familiar with all the literature about – and the analysis, and much of it credible, about the large range of not just policy problems but major, major policy challenges which exist, and you’re all familiar with them all, whether it’s the aging of the population, whether it’s the social impacts of the one-child policy, workforce participation rates, wage inflation, competitiveness. That’s before you get onto the green agenda that you spoke about, not to mention the political freedom agenda you spoke about or you inferred and the other challenges as well. Yeah, it’s not all just a basket of roses from Beijing’s perspective.

But here’s the counternarrative. As someone who’s been studying China now for 35 years, since Beverly Hong-Fincher first had me in her language laboratory in 1976 at the Australian National University and constantly sought to improve my second- and third-tone differentiation – (laughter) – the – and I remember starting Chinese that year when Chairman Mao was still alive and Zhou Enlai had just died and the Gang of Four was still around. And I have seen, since the politics of ’78-’79, probably a hundred different analytical pieces on why China wouldn’t make it. I’ve kind of grown a bit skeptical over time that these guys won’t continue to make it. That’s my first point.

[01:06:01]

My second point is this. In terms of any prudent policy analysis on the part of the United States, the West and the rest, frankly, the most prudent assumption that you can make is that they will continue to, by and large, prevail.

Thirdly, I think – remember, the upside for this for the world in terms of the economy is a continued large increment of global growth, minus which, frankly, we’d all be spluttering away in one form of recession or another as of – as of today. It’s been a huge addition to the global economy.

So I think the – for those range of reasons, I come down on the side of, let’s just assume that the Chinese will continue to grow their economy at somewhere between 7 ½, 8 ½ percent, that

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their military expenditures will continue to increase, that their global diplomacy will continue to expand.

But here's the one caveat: I have enormous, frankly, confidence in this country's capacity for renewal. I mean, you know, I've been around long enough to know when this country's been written off in various times in the past as well. And frankly, the strength and the dynamism of the United States economy and its inherent capacity for innovation is streets ahead of what the Chinese can provide by way of innovation right now.

So the problem, not just the United States and in other Western countries, is, frankly, the structure of our political systems is making many of these key strategic questions increasingly difficult to execute at the level of executive government. That's not a criticism of President Obama or of the Republicans or the Democrats; it's a structural problem, and not just in the United States. The Chinese, at this stage, don't exhibit a similar problem in terms of the efficiency of their decision-making processes – may have other legitimacy problems associated with it, but one can't critique the efficiency of the decision-making process.

[01:08:11]

MR. PAAL: Mr. Rudd has been really kind with his time. We only have time for one more question. Ambassador Chas Freeman up front.

Q: Thanks. Chas Freeman, retired diplomat, member of the Carnegie board. Thank you for that very thoughtful piece of statesmanship, which is remarkable given the absence of comparable statements here generally, and much appreciated. I want to ask you about Korea. I assume that this is as perplexing to the Chinese as it is to Americans and other Asians at the moment. And the perplexity may be leading to some rethinking of positions and what ought to be done in Korea on the part of China. And I noted your point that when people are rethinking things, the marginal utility of diplomatic dialogue is highest. Is this an opportunity for the United States to engage China? And if so, what would you suggest the approach be?

[01:09:19]

MR. RUDD: Well, thank you for the question. And it's directly and immediately relevant. Point number one is that in China itself now, the North Korea debate has gone from being a private debate to a very public debate. In the speech I gave at National Defense University in Beijing last week, which I represented – reflected as the insomnia cure for everybody here, there was a couple of pages in it which actually documents who's saying what about North Korea policy at present across the Chinese policy and think tank establishments.

And as someone who's studied these things for quite a long period of time, even I'm surprised by how sort of out there people are at the moment, ranging from, let's dump North Korea as an ally, through to, how do we work with the South Koreans to exercise restraint, do various other things? It's now public discussion. This is a very good thing, from my perspective, because it's no longer regarded as simply a foundational element of Chinese foreign security policy that it's North Korea, right or wrong.

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Secondly, what are the elements or the logic of that? Because that goes to your question about dialogue with the United States. The logic from China's perspective is a bit like this. Number one, North Korea's nuclear policy, its weapons testing and its ballistic missile tests are now having the consequence of bringing about ballistic missile defense cooperation between the United States and all of its allies in Asia, including the ROK but beyond that, including Japan and as well as ourselves. This, of course, has direct national security implications for China way beyond the Korean Peninsula because if you have an extensive network of BMD cooperation, then it has implications for China's Taiwan contingency planning, but also, more broadly, their recently announced maritime strategies as well. That's core interest number one, which is going brrmm (ph), you know, in terms of Chinese thinking.

[01:11:44]

Core interest number two is understanding the world from South Korea's perspective. And frankly, the fact that they've had diplomatic relations for a while has helped our friends in Beijing understand what life's like on the other side of the parallel – that is, the southern side of the parallel. And if you simply ask them to ask – to answer this question – so you're sitting here in Beijing, and one of your destroyers or frigates has just been sunk, and by the way, they have just been shelling a number of your islands, and you're saying to the domestic body politic in China, just calm down because if we overreact, they might do something really bad – and that's basically the lectures constantly delivered to our friends in South Korea. The Chinese are now very anxious about how South Korea will respond. And if you look at the front page of today's papers, you'll see pretty definitive statements from President Park that she's not about to, in her judgment, repeat the errors made by her predecessor politically by turning the other cheek at the time of the North Korean bombing of the – bombardment of the island.

And then there's the third one that the North Korea connection is really having an impact on China's global foreign policy reputation. China wants to be respected in the world. It's not just being a big great power but being a respected great power. And this is – this has sunk into the Chinese foreign policy psychology. And therefore, look at how China has in recent times abandoned its normal policy of hobogon she (ph), mutual noninterference, with countries, like the Libya debate in the U.N., previous considerations of the Sudan over Darfur, et cetera, its backing of the most recent U.N. Security Council resolution on sanctions on North Korea. They are very conscious of the fact with friends like these, for whom we supply more than 50 percent of their food and 90 percent of their energy, we kind of get it that some others around the world may be scratching their heads about, you know, China's future aspirations for constructing a new rules-based order in their place.

[01:14:07]

So these are the areas where, frankly, this administration can engage with China. As I said in my remarks, the North Korean contingencies, given that North Korean leadership is inexperienced and unpredictable and perhaps cavalier, that there is now a critical need for contingency planning between China and the United States – something which the Chinese, on my best advice, have thus resisted at any level of useful operational detail. But frankly, given that they – these are mature countries with foreign policy and national security policy cultures, dealing with something as potentially destructive as further actions from the North, that is where I think the trust-building

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exercise can also be manifest, which is why I list Korean issue as one of those things for a new strategic roadmap for China-U.S. relations.

[01:15:20]

MR. PAAL: Well, that's been a terrific review of the scene between the United States and China and China and the world. I want to thank you very much for this very thoughtful presentation and thank the audience for joining us. Please join me in – (inaudible). (Applause).

(END)