

**CENTER FOR  
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

**PRESS BRIEFING:  
HU JINTAO'S VISIT TO WASHINGTON**

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H. ANDREW SCHWARTZ: Good morning and welcome to the Center for Strategic and International Studies. I'm Andrew Schwartz, senior vice president for external relations. And I'm proud to welcome you all here for our briefing on the visit of Hu Jintao.

We have a great panel, as you know. Charles Freeman, our China Studies chair, will be showing up shortly. Unfortunately, the snow has delayed him and some of our other colleagues, but we'll get started anyway because I know everybody is busy.

My main objective here today, as you know, is to not spill things on Dr. Green-san. As some of you have seen at our briefings before, that isn't – you know, it's happened, and we're going to try to make sure that it doesn't happen here today.

Again, welcome to CSIS, and I'd like to turn it over to my colleague, Dr. Green.

MICHAEL GREEN: Thank you. Good morning. Thanks for braving the snow. I'm going to provide a brief overview on what this summit means in a historical context. I was in the NSC staff for five years in the Bush administration and was sucked into the mechanics and politics and diplomacy of some of these visits in the past.

This is the eighth visit, or, the eighth meeting between Presidents Obama and Hu. It's only the second summit – state visit. There's a big difference between whether you're meeting on the margins of a G20 or multilateral session where you have, with interpreters, roughly half-an-hour of discussion.

Big difference between that and what President Hu will do, which is full ruffles and flourishes and honors, a dinner, bilaterals, meetings with CEOs and a complete focus for 48, 72 hours on U.S.-China relations. And it's only the second one of those.

The last one, of course, was in November 2009, when President Obama visited China. And my impression was that the Obama administration intended to basically continue the general trajectory of the Bush administration's China policy – strong alliance relations, and then build cooperation where you can with Beijing – and wanted to frame that during the president's visit to Beijing.

They did so in a joint statement, which talked about respecting each other's core interests and other things. But I think most administration officials would acknowledge that the next year – 2010 – was a bit of a disappointment in U.S.-China relations: at the Copenhagen summit on climate change; in China's surprisingly assertive stance on territorial disputes in the East China Sea with Japan and the South China Sea with certain ASEAN states; China's passive, almost enabling, stance towards North Korea in the wake of the North's attack on the Cheonan, and so forth.

And so the second half of 2010, the administration, I think, quite visibly reasserted and redemonstrated, if you will, to Beijing the depth of American strategic influence in Asia. Secretary Clinton at the ASEAN regional forum in June said the U.S. has a national interest in freedom of navigation, and inserted the U.S. in the South China Sea dispute in a way we had not done before.

When Japan and China came into controversy over the Senkaku – or Diaoyutai – Islands and Japan arrested a Chinese fishing captain and China embargoed Japan, the administration, you know, quite visibly reaffirmed our defense commitment to Japan as it pertains to those islands; trilateral U.S.-Japan-Korea defense exercises, and so forth.

And we go into this summit now, I think, with both sides eager to add a little more stability to the relationship. I think that the U.S. has made its point. I think the Chinese side recognizes that it overstepped somewhat this last year. And both want out of this a more stable relationship for 2011, and arguably, 2012, because this will be President Hu's last summit before the leadership transition presumably to Xi Jinping in China.

So this I think both sides hope will set the tone for at least two years. Can it? I think in some ways, yes, it can. First, because these bilateral summits matter a lot, especially to the Chinese leadership. Bonnie is going to talk more about the optics and the protocol and how important that is.

But Hu Jintao is essentially a Dengist, which is to say, follows Deng Xiaoping's maxim of 30-some years ago to lay low, bide your time, build your strength. And the relationship with the U.S. is foundational for China. You have to get that right as a Chinese leader. So it's important to the Chinese side, and this will really focus the mind.

And you can see evidence that China has, at least tactically, adjusted its position in a range of areas. The renminbi has appreciated 3.9 percent since June. China's rhetoric and diplomatic actions on the North Korea problem are somewhat more helpful – somewhat more helpful. Secretary Gates had a reasonably positive visit to Beijing, and reopened military-to-military ties. Beijing has agreed to engage the ASEAN countries. And the code of conduct on a multilateral, diplomatic discussion on the South China Sea has softened the tone towards Japan. So across the board on almost all these issues, China has somewhat softened its stance.

And finally, summits in the U.S. are particularly important because Beijing can't control the – can't control all of you – (chuckles) – the way they can script and control a summit in China.

On the other hand, I think there are some real limitations. And this will likely not be a sort of historic summit or a transformational summit in U.S.-China relations, first because as the two leaders work on a joint statement which is being prepared, it is very hard for me to imagine how they can come up with a verbage (ph) to satisfy the multiple audiences they have to satisfy – China's domestic audience, the U.S., and then, of course, our allies. Very hard to do. I think the joint statement will probably be fairly workman-like descriptions of where we cooperate.

Secondly, I think most of these adjustments in Chinese behavior on the renminbi, on the South China Sea, on mil-to-mil we've seen before – in many cases, not all. The Joint Committee (ph) on Commerce and Trade – JCCT – there were some important incremental moves forward. But almost all of these in one way or another are reversible, particularly the military-to-military dialogue that Secretary Gates has opened.

It's quite clear that the PLA will cut this off in an instant if we sell arms to Taiwan, for example. And the renminbi has appreciated, and then been re-pegged to the dollar before. So it's reversible.

And ultimately, the summit is not going to be able to fix the structural problem in U.S.-China relations and in Chinese politics, and particularly, the fact that Hu Jintao is essentially a lame duck. And there's a quite intense competition for the leadership succession in 2012, and some real questions about whether the PLA is playing along with this script.

And you've all heard about the test of China's new stealth fighter. There are questions about whether Hu Jintao knew it was coming, whether it was coincidental or not. My own discussions with administration officials suggest to me that, indeed, Hu was surprised by this. And there's real worry that it was a spoiler move by the PLA, although we don't know.

So those structural problems are not going to get fixed by this summit, but it will put a floor under the relationship, and in terms of relationship maintenance, be important – and in fact, indispensable because the leaders' relationship really is at the core of U.S.-China ties.

BONNIE GLASER: Good morning. I will pick up on a few things that my colleague Mike Green has not yet touched on. And then Victor Cha will be talking primarily about North Korea; I will leave that to him.

The Obama administration came in wanting to have a closer partnership, more cooperation with China, particularly on global issues. So there was a desire to really elevate this relationship and find new areas of cooperation, expand what had been done in previous administrations.

The agenda was particularly focused on climate change and countering proliferation and cooperating in the effort of global economic rebalancing. There were, I think, early disappointments in this administration. And the Chinese have not stepped up in the way that the Obama administration had hoped.

This summit does, to some extent, provide an opportunity to reinvigorate that agenda. We've seen a little bit of progress on climate change and the proliferation front. The administration believes that particularly on Iran, that's an area that is on the positive side of the ledger of the relationship. And North Korea has been a very mixed bag, but again, I'll leave that to Victor.

So I think the administration is looking for some tough statements on China – on Iran, in particular. The Chinese did support the beefing up the sanctions last year, though probably not

as much as the U.S. and others have wanted. But most importantly, they have so far not backfilled companies that are divesting in Iran. And there will be an important meeting coming up in Ankara – I think it's January 21, 22 if I'm not mistaken.

And the administration is very keen to ensure that there is good P5-plus-1 unity. So we want China to stay onboard with keeping pressure on Iran. That, again, is probably the single-most – among the security issues, the area in which there is most cooperation.

On the – I would also mention briefly on human rights, that I think that President Obama is going to want to say something fairly firm on this issue as well, particularly in the aftermath of the award to Chinese dissident Liu Xiaobo and the Chinese reaction to that, in which the Chinese essentially discouraged countries from attending the awards ceremony – but even beyond that, suggested that there was some U.S. interference in the award – the decision that was made.

The Chinese are looking mostly for symbols, optics, face in the – you know, in the Chinese context. The protocol is very, very important to the Chinese. They have – they did not get a state visit for Hu Jintao in 2006. They got sort of a mixed visit. It was official – he got the White House lawn ceremony, but he did not get the state dinner. Instead, he had a lunch.

This time, China is getting, I think, everything that it wants in terms of the symbols of a visit. I think for the Chinese, the most important thing is to avoid the snafus that took place in 2006 where there was a proponent of Falun Gong – the sect – on the White House lawn unfurling a banner. There was the announcement of the national anthem incorrectly saying that it was the Republic of China's national anthem. So you know, the Chinese want to avoid all of this.

But if there's anything substantive that the Chinese want to accomplish here in the U.S., I think it is improving China's image in the United States – the attitude of the U.S. public toward China. That will be on the agenda when Hu Jintao is in Chicago, for example, visiting a Chinese – an auto-parts factory in which there is Chinese investment, sending the message that China is contributing to creating jobs in the United States; visiting, I think, it's a middle school or a high school in which they teach Chinese, demonstrating, again, cooperation between the U.S. and China on the educational front.

President Hu Jintao wants to show that he has been a good steward, a responsible steward, of the U.S.-China relationship. Again, as Mike said, this is his last visit. He's going to want to turn over this relationship, the most critical relationship for China, to his successor Xi Jinping in good shape.

Let me finally just say something about the military side of things. I agree that Defense Secretary Gates achieved some useful things during his visit to China last week, particularly the agreement by the Chinese to send the head of the Second Artillery, which is in charge of these – of these strategic rocket forces, both conventional and nuclear, to our strategic command.

The Chinese have, in the past, suggested that they would do that in the Bush administration – didn't happen. We will see whether it happens this time.

I think that President Obama might seek to reinforce some of the things and messages that Defense Secretary Gates was trying to get across. One is that we want to have a sustained and reliable military relationship with China that will survive the shifting political winds, as Secretary Gates said.

But I do agree with Mike that if we do go ahead with a major arms sale to Taiwan that probably all bets are off. I don't think that necessarily, the Chinese would suspend the relationship for all arms sales. But we could talk about that in the Q&A.

And then, finally, Secretary Gates tried to tee up an agreement on a new security dialogue which would be a joint civilian-military dialogue that would focus on nuclear, space, cyber and missile-defense issues. The Chinese side said that they would "study" this, though Secretary Gates met with Hu Jintao and said in a discussion with the media afterwards for the press that he believes that Hu Jintao and the Chinese side are really seriously considering this.

So this is something that maybe the president will seek to reinforce, that this kind of dialogue would be important toward beginning to allay some of the mutual suspicions that have built up over the last few years and begin to establish a modicum of strategic trust in the relationship. Thank you.

VICTOR CHA: Well, good morning, everyone. What I will say does not overlap at all with anything that my two prior colleagues have talked about. The one thing I'll say more broadly about the U.S.-China relationship in this summit is, you know, to me, the U.S.-China relationship is just – in many ways, it's too big and it's too important just to be left to the two governments.

In other words, this is a relationship that you need to have a good personal connection between the top leaders. It's very – I think it's very important. And I think – and I think Mike would agree that President Bush worked hard to cultivate that with Jiang Zemin and with Hu Jintao to the point where they could both call on each other and also challenge each other to do things. And that, I think is very important.

It's particularly important in the Chinese system because that's the only way things really register. And it's sometimes difficult to create that sort of personal relationship when you're dealing solely with bilateral issues because in bilateral issues, whether it's currency, whether it's transparency of the Chinese military budget, many of these issues can be often seen as zero-sum. So it's very hard to do.

But one of the ways that leaders can build personal relationships is when they work together on an external issue, right? And clearly, the issue that these two, hopefully, will and are and have been working hard on trying to correct is the North Korea problem. I think this issue will probably one of the most important issues, if not issue number one, maybe number two in this summit. It'll be important in the sense that we won't see a lot publicly on North Korea coming out of this summit, but I think there will be a lot of discussion behind the scenes.

In many ways, this is a change from the past because in the past, I think it's fair to say that for the Obama administration, when it was dealing with China, North Korea was not a top priority issue. There were lots of other things that were on the agenda and they still are on the agenda: currency, climate change, Iran and other cases. But because of the events over the past year, because of the events over the past three weeks, even, this has really become a front-burner issue.

And I think it's fair to say that there has been a gap in the way both the United States and China have dealt with the North Korea issue over the past year, if not over the past two years. You know, we know that the United States wants China to use more of its material leverage on the North to try to get them to come back to negotiations or to stop provocations.

And the Chinese, in return, want the United States to meet North Korean provocations with a willingness to come back to negotiations, come back to the six-party talks as a way to try to bring stability back to the situation.

I think our response to most of that is every time the North Koreans provoke and the Chinese call for a return to six-party talks or an emergency six-party talk session, the way we interpret it – and I think the way the administration interprets it – is China's basically just trying to move the pressure off of themselves, right?

If there's no dialogue, all the pressure's on China to try to calm the North down, but if we can move this back to six-party talks, then the pressure comes off of China. And once negotiations start, the pressure all comes on to the United States. So I think this is the dynamic we were in, in U.S.-China relations when it came to North Korea.

And I think it was a real gap. I mean I think it was a real, serious and substantive gap. And my hope and my expectation, reading the tea leaves, is that this summit may actually represent more of a coming together of Washington and Beijing's positions on North Korea, more of a closing of the gap, coming closer – getting closer to a common front on North Korea.

And I think there are two reasons for this. The first reason is ironically, the South Korean artillery exercises on Yeonpyeong Island, whenever it was, a week, two weeks ago. I think it was really at that point – as you all know, the North Koreans shelled the South Korean island in November and there was exercising between the U.S. and the ROK, the U.S. and Japan, but South Koreans wanted to conduct their own live-fire exercises on the very islands that were shelled.

And there was a lot of concern on the part of the Chinese that this could elicit some sort of North Korean action or retaliation, to which everybody believed the South would respond militarily, would not just sit still. And I think the Chinese became, you know, very concerned that the whole situation was going to spin out of control when it was clear that the United States was not going to stop South Korea from doing these live-fire artillery exercises.

I think the Chinese came to the U.S. and said, can you stop this? And the United States says, you know, they're a sovereign country. They're our ally, it's their territory. It's their

exercise. And I think it was at that point that the Chinese really got a sense that this thing could start to spin out of control.

The dynamics that we're talking about now surrounding the Korean Peninsula are quite concerning. And as you've all written and as has been spoken about in the papers and in the policy-experts circles, is the Chinese worked hard to prevent the North Koreans from responding to this live-fire artillery exercise.

So I think, again, one reason – a proximate cause for more of a common front is that the Chinese do see the situation deteriorating rapidly and the live-fire artillery exercise is really an important point in their thinking.

The second reason I think that there may be more of a common front between these two countries is I think the United States is increasingly seeing and increasingly conveying that the North Korean threat is no longer simply a threat to U.S. allies in the region.

It's not – it's not – I shouldn't say simply, but it's not "just" a proliferation threat, a potential, hypothetical proliferation threat in the future. It is now more a direct threat to U.S. security. And I think the first sign of this was, of course, Secretary Gates' statement 48 hours ago in which he talked about – he was concerned about North Korean intercontinental ballistic missiles within five years, of posing a direct threat to the United States.

This is – I think this is a change in the way the United States has talked about the North Korea problem and I think it's a change that I think, one, is dictated justifiably by the circumstances. But it's also a change that conveys to China how serious this issue is for the United States now. It also conveys to the North, I think, that we may be entering a new period in terms of the way the United States is looking at this problem.

And I think these two things, in particular, I think are drawing or hopefully will draw the United States and China closer together. If they do come closer together, what is it that we would want China to do? And these are my own views. These aren't the administration's views.

Well, I think the first and obvious thing is that you would want the Chinese to do more to stop any more conventional North Korean armed provocations. Things that are a violation of the 1953 armistice, the armistice of which China is a signatory. Second, I think you would want the Chinese to work very hard to use whatever offices and leverage they can to preposition North Korea if we eventually see a return to negotiations.

And the three issues on which you need to preposition North Korea is first, they have to be – will be willing to engage in serious North-South dialogue because I think the administration has said very clearly, it is not interested in coming back to a broader negotiation unless there is some North-South interaction first.

And then the North Koreans ready and willing to affirm the 2005 and 2007 denuclearization agreements from the six-party talks. And then, thirdly, of course, a willingness

to freeze and begin a negotiation on their uranium enrichment program. I think these are things that we want the Chinese to work hard on prepositioning the North.

And then finally, the third thing is to gain better – and there's been good cooperation with Iran, but to gain even better cooperation with China on counter-proliferation issues as it comes to North Korea, either in terms of the U.N. Security Council sanctions, the financial sanctions or PSI, the Proliferation Security Initiative.

So as an observer of this meeting, you know, I have high hopes and high expectations that we will see good things between the two coming out on – on North Korea coming out of this summit, but you're going to have to look really closely because it's not going to come out in the form of a very clear statement. You're going to have really look really closely and try to read the tea leaves to see if there is more of a meeting of minds on this problem.

MR. SCHWARTZ: We're going to open it up to questions. When our colleague, Charles, gets here, we'll have an opening statement from Charles, but so if you want to reserve most of your economic questions for when Charles gets here, that would be great. Let's start it out with Elise.

There's Charles. (Laughter.) No, no. You're on, but Dr. Labott is going to ask her question first.

Q: Okay, thank you. One for Mike and Bonnie and then one for Victor. Some prominent people that follow China have said that there's been too much kind of – the Chinese have been given too much up front in terms of the protocol, Bonnie, that for instance, you discussed, that they were promised everything – so much up front.

And then there's little in the way of trying to, you know, extract these – some of these more difficult things that they're looking for on China, particularly on the economic front, but also on some of these other issues. I was wondering if you think that the administration has done enough to prepare for this visit and how that might affect the deliverables.

And Victor, we've been hearing a little bit about whether the United States is considering just kind of scrapping the six-party talks, considering that they're not going anywhere. What do you think of that idea and how would that play into U.S. relations with China, considering, you know, China is the, you know, kind of host of these talks and considers its role so large and that gives it the kind of hand that the U.S. can encourage, thanks.

MR. GREEN: On the protocol point, as a tactical matter, I would agree with some of that criticism. I mean when we were preparing – I left – I prepared the 2000 and 2005 for Hu Jintao's visit and then I got out of government and then was in the audience when the Falun Gong demonstrators started protesting.

I turned to my wife, with all the protocol, and I said, you know, I really miss that. And right at that moment, the woman from Falun Gong started screaming. She said, no, you don't. (Laughter.) It was not my successor's fault, by the way. It was very bad luck.

But I would have – I would have held out a little more on protocol. I think the main area where it's going to – it's potentially a problem is Liu Xiaobo and human rights. The administration's hoping, out of this summit, to have some human rights dialogue restart, but they're not sure they have it and in any case, Liu Xiaobo and numerous other prominent dissidents are obviously in jail.

And this is the first time an American president has had – I think – has had a state visit with a head of state who is imprisoning a Nobel Peace Prize laureate. So that's an extremely awkward juxtaposition to say the least and the administration made a very hard effort to deal with this. Secretary Clinton, in particular, tried very hard on a number of occasions and you know, there's some risk in that for them.

On the other hand, in terms of strength and weakness and realpolitik, I think the administration, in the past six months, has been – and I say this as a member of the loyal opposition, really masterful at demonstrating to the region and the to Beijing that the resilience and depth of American power in Asia.

I mean there is almost no capital in Asia now – maybe Pyongyang and Naypyidaw, Burma, maybe, that does not want a closer relationship with the U.S. to deal with this much more assertive China. And the administration with PPP on trade, with the Korea FTA, with trilaterals with U.S., Japan, Korea, engaging ASEAN, across the board, has taken advantage of this without overdoing it, without, you know, sort of propelling the paranoia within China about conspiracy and containment.

So in that sense, I think they've handled this sort of power politics quite well. But tactically, I think they've left open some risk for themselves because of Liu Xiaobo and human rights issue.

MR. SCHWARTZ: Just – oh, Bonnie, I'm sorry.

MS. GLASER: Oh, I would just add briefly that I think that there are – some of the issues involving preparation for the visit were used as levers on the Chinese on, particularly, the North Korea issue, though I don't think that had to do with whether or not it would be a state visit. That was obviously determined a long time ago.

But getting the Chinese to put the pressure, as Victor said, basically use their good offices to tell the North Koreans to knock it off and not be provocative in response to South Korea's exercises. That was, I think, an area where the administration did try to use some leverage and may explain part why the President Obama sat in on Foreign Minister Yang Jiechi's meeting with Donnelly (sp) the other day. But that's just speculation.

My point being that there was some leverage, I think, that was used on that issue. But the decision was made quite some time ago to do the full-out state visit, 21 gun salute and have the state dinner. I think it was just the timing of the announcement that was used, perhaps, as just tactical leverage over China. Whether we could have gotten more for it, hard to say.

MR. CHA: On the six-party – on the six-party talks, you know, I think people grumble about the six-party talks, about whether it's the right format, whether it still has any relevance. I mean it hasn't met in, what, three years now. I mean if there's anything that you haven't done for three years, you probably don't do it anymore.

But at the same time, I think many people who are involved in this and involved in negotiations have looked at the negotiating record carefully and have essentially realized that in the end, it's a combination, right? In the end, it's going to be a combination. If you have a negotiation of bilaterals and it's going to be – and six-party.

And the six-party part is important in one sense because the standing agreements come out of this – come of this multilateral negotiation. And you have five other members, right, three of whom are Security Council members that have signed on to this. So it's a good thing – it's very handy to have that, right.

And also, as your question intimated, it puts China in a sense, in the hot seat because China does care about process. They care about optics and the last thing they want to see when a negotiation starts is an inconclusive round of six-party talks. I mean when we used to have bad rounds of six-party talks, the Chinese just got absolutely apoplectic because they wanted to get a joint statement and everybody said, impossible.

Then a statement, you know, some statement. Then anything, basically and they usually – anything meant the chairman's statement, which nobody had to sign off on, just the chairman. So and I think that we all realize that that's useful to have when these negotiations aren't good because in the end, it sometimes makes the Chinese push us harder, but it also makes the Chinese push the North Koreans harder.

And then the other reason I think six-party still has some sort of future is – and I've heard it, you know, high-level administration officials say this. Despite all its flaws, we have to recognize that it is the only multilateral security institution that has ever been created in Northeast Asia that involves the major powers. And that's important and it's not so easy to simply chuck that – chuck that to the side.

So I still think it still has a future, even though we don't have a negotiation going on. And I think in that sense, the administration still values it to some degree.

MR. SCHWARTZ: We're going to go to Charles for some opening remarks in just a minute, but I just want to clarify, when Mike says that he's part of the loyal opposition, that's to Brookings. (Laughter.)

CHARLES FREEMAN: Well, first, let me thank Montgomery County for their infinite wisdom in letting my kids sleep for two hours later than usual. (Laughter.) I mean, this – I've been asked a lot this week, particularly by Chinese members of the press, is the economic relationship still a primary source of stability in the U.S.-China relationship.

And it should be. We have a very robust economic relationship, highly interdependent by design. We have an enormous trading relationship. China's our – I guess our third largest export market. You know, it's – it's certainly one of our largest trading partners. You know and by and large, when you break down the – what we produce and sell and what they produce and sell, there's a lot of complementary.

That said, this is Washington, D.C., and so the basic economic logic doesn't always apply. And there are serious challenges in that relationship. In a time when jobs equals trade equals China, this is a very difficult time for President Hu to come to the United States, particularly when the Chinese public, imitating the Chinese leadership, are not particularly interested in, quote, "doing something," end quote, for the Americans on trade and economic – (audio break) – that's rather a challenge.

The issues are pretty straightforward. The president has defensive issues primarily on currency and the impact of currency on U.S. jobs, but also suggestions that other parts of the Chinese economy are subsidized and therefore directly compete unfairly with U.S. production.

And you've got market-access issues: tremendous market-access issues for a business community that has carried China's political water here in Washington for most of the past 20 years. So when the business community begins to become unhappy or begins to find the competitive environment in China that much more difficult, it seems less and less likely and inclined to want to do something for the Chinese here in Washington. So, pretty difficult.

Now, what – the administration has been hoping against hope that there would be a shift in the valuation of the renminbi in a positive way, more than the simple numbers to date for this year, or, since the announcement of revaluation or reapplication of flexibility was made earlier this year. There's a bit of hair-pulling going on in Beijing from the contingent not only at the embassy but the heavy USG contingent that went over to China earlier this week.

There's a concern about what can we do on the market access issues, particularly is there other things that we can do on the indigenous innovation challenges that our companies have, some of the intellectual property rights issues and others? Although I think the administration in China will largely point back to the results of the Joint Commission on Commerce and Trade that took place in December and say, well, here's where we got those things accomplished.

And then there's been a lot of hope, particularly from some larger companies, that President Hu's visit would be accompanied by significant commercial transactions, and that really hasn't panned out to date, and it looks, with just a few days left before the visit that it's going to be very difficult to put in place a very significant order that the administration can point to and say, look, see, China equals trade equals jobs in a good way.

So, a fairly challenging environment for the president and President Hu to come into, and I'm not sure that at this point that one can say that the economic relationship is a primary source of stability. In fact, one might argue that it's shifted into – that the frictions in that relationship have begun to define the relationship in a fairly negative way. Again, not always appropriately, but that's certainly the suggestion.

President Hu, I know, will try to showcase the beginning of what everybody outside the Beltway hopes is a wave of Chinese investment into this country and I think there are some suggestions that there may be hope in that direction. But I'm not sure that some of the messaging there is going to be effective enough to overcome a lot of the negativity surrounding currency and some of the market access questions. So with that, I'll stop there.

MR. SCHWARTZ: Bringing it back open to questions. Karen?

Q: (Off mic.)

MR. FREEMAN: Like you, I think I've been assuming that the new makeup in Congress makes action – whether it's legislation or other activity in Congress on currency – that much less likely. And the Chinese certainly have made that calculation and believe that. They've all taken – breathed a big sigh of relief that what we've got is some good old pro-business Republicans in the House now and that's going to carry us and make sure that our water continues to be carried.

I just spent the last weekend at a new-members retreat and I think the Chinese have made a serious miscalculation and I think my assumptions about the likelihood of currency legislation having been reduced were wrong. This is a crowd that is anxious to do something. And to quote one incoming member: We want the U.S. government to get off its ass on this issue.

Q: Who would lead the charge?

MR. FREEMAN: Well, I think the usual suspects still will lead the charge. But there are

Q: Who in the Republican Party would get on board – (inaudible, off mic)?

MR. FREEMAN: Without naming names, I think there are quite a number of the incoming members that are pretty serious about the issue.

MR. SCHWARTZ: (Off mic.)

MS. GLASER: Just a couple of sentences on your human rights question. First, I think this is a topic always comes up in meetings with the Chinese, and so I think it's serious, and the president probably wants to convey a serious message. It's not all about, you know, the public message.

But, as far as the domestic political context here, I do think that there will be something that would be said. It could be in a statement that is issued by the White House afterwards on the – summing up the discussions. I would not be surprised if Secretary Clinton also includes it in the speech that she is giving on Friday.

I don't know if there's going to be – you may know – a joint press conference. I know there was a request that was issued to the Chinese to have one. Yet it remains to be seen whether or not they are going to accept it. That would be another opportunity.

MR. GREEN: There will be a joint press conference, I understand. In 2005, when President Bush went to Beijing, he gave a speech about democracy in Japan. The next day at the press conference, Hu and Bush were asked about it. President Bush talked about the importance of democracy and President Hu said China's also working on democracy in its own way. So the democracy issue is a little bit easier to talk about with the Chinese president there because they can co-opt the language and they're debating intraparty democracy and so forth.

So far, human rights is different because from Hu Jintao's perspective, Liu Xiaobo and these others are antibodies that must be contained. They are threats to the state. So it's an extremely awkward thing to do, whether it's Secretary Clinton in a dinner or President Obama in a press conference, and certainly you won't see it in a joint statement negotiated with the Chinese.

That's one of the reasons why in the past, people have been hesitant to have the full state visit protocol. I am –

Q: Is the joint press conference part of the protocol?

MR. GREEN: Usually there's a Rose Garden or sometimes Oval Office joint press availability. "Press availability" means they may not let you ask questions. (Chuckles; laughter.) But yes, usually that's part of the package.

So I think Bonnie's right. I think President Obama and Secretary Clinton and others are being very clear on these issues in private and consistent. But the public framing of this, I think, is going to be challenging.

MR. SCHWARTZ: Let's go back to Chris.

Q: Thanks very much. Chris Nelson, Nelson Report. Just a quick question on the joint statement. So we're not quite clear yet, is there is or is there ain't going to be a joint statement? That's still a work in progress? Is that the latest?

MR. GREEN: My understanding is that – well, it's a matter of public record now that Kurt Campbell's in Beijing negotiating this.

But the November 2009 joint statement was – had a lot of – you know, was 99 percent – or, as Deng Xiaoping said about Mao, was 70 percent good, 30 percent bad. It had a lot of good stuff in it but the language about India, the language about core interests, didn't succeed in reassuring the Chinese public or building a kind of understanding about continued military-to-military relations and the other things the White House wanted. And on the other hand, it provoked a lot of controversy.

So my sense is that the White House is a little bit more cautious about their expectations for joint statements, which means there may not be one. I don't think they've promised that there will be one. They're negotiating it and I think the quality will matter. They can either put out something that's fairly descriptive of cooperative areas, skip it or perhaps come up with some meaningful language on the overall relationship.

I think that will be hard and so I would not expect a sort of fourth communiqué with really significant language about the overall strategic nature of the relationship.

Q: Actually, my question was – is going to be about the currency thing. I'm interested that I'm hearing from Charles now and I've heard from a number of friends who have good ties into the Republican side of things that what looked like Camp – Chairman Camp of Ways and Means – trying to make very clear that his cosponsorship with Levin was a way of positioning the issue, but that he had no intention of making that a priority for this year. I was told that personally several times by his senior staff person, who actually called me and said, you did see that in the speech, right?

So are you hearing a real change of mind about that? If so, why?

MR. FREEMAN: No, I'm not hearing that Camp has changed and suddenly is going to make currency a priority. I'm saying that for many in the Republican Party, the notion that this is all going away is somewhat fanciful.

And I guess my point in underscoring it is I think there has been a concerted – “gamble” is probably too – (inaudible) – a word, but in Beijing, that they don't really have to worry about this issue as a political matter between the United States and China. And I think that's wrong.

Q: All right, thanks very much. (Chuckles.)

MR. SCHWARTZ: Questions? Sean (sp)?

Q: My cough doesn't help. Actually, a very broad question. I think Bonnie or someone here mentioned about the image of China and the United States and how important that may or may not be.

Do you think that that's something that the Chinese are looking at, having this trip as something that could potentially rehabilitate the Chinese image? You saw it's been – it's taken quite a beating. And is that something that could be – potentially be on the cards, I mean, with all the issues on human rights and the economy and whatnot?

MS. GLASER: Absolutely. I think number one is the domestic audience back home in China and the elites and the other members of it – say the committee of the Politburo – in ensuring that, as I said, Hu Jintao is seen as being a good, responsible steward of this bilateral relationship.

But I think that here, in the United States, the message is going to be that China is a responsible nation, that it is rising peacefully. Hu Jintao will give a speech here at a luncheon in Washington, D.C. I'd imagine that the theme of that will be reassuring everybody that China is rising peacefully and going to contribute to, in some way, to global issues and resolving problems around the world.

But I think the Chinese were unnerved by the discussions here that took place in the runup to the midterm elections about China stealing our jobs and I think they would like to try and shape that narrative in a more positive direction. I think that's – as I said, that's what Hu Jintao will be doing in Chicago.

So yeah, I think it's an objective. I would say it's not at the top of the list of Chinese priorities, but that's one of the things that Hu Jintao would like to do here.

Q: Hi. Of all the shifts in relationships in Asia – and I'm talking about U.S.-India, U.S.-Vietnam, Japan-South Korea military, sales to Taiwan and so forth – which alarms China the most?

MR. SCHWARTZ: Michael?

MR. GREEN: The one that you hear – at least I hear; I was in Beijing a few weeks ago – the one I hear the most about is South China Sea, where the Chinese view is that these small states like Vietnam pulled the U.S. in to a confrontation with China. But I think, as a strategic matter, the relationship that worries them the most is the U.S.-Korea-Japan. That's both a risk and an opportunity for us.

To the extent that Beijing and, secondarily, Pyongyang sees U.S.-Japan and U.S.-Korea alliances, which have been quite separate – Victor wrote the seminal book on this – to the extent that those are triangulating and coming together because of North Korea, it really affects the long term balance of power and alignment in Asia and worries Beijing and that is – frankly, puts pressure on Beijing to be more active on North Korea. And I think that's part of the reason why Beijing has changed its tone.

Polls in South Korea about China now are very negative and in Japan as well: 89 percent of Japanese say they don't trust China. So this sort of threat assessment converging among Japan's major democratic neighbors – excuse me, China's major democratic neighbors – is worrying because China's strategy is to offset that with economic interdependence. If we overdo it, we're going to create our own enemy but it does help to motivate Beijing on the North Korea question.

MR. FREEMAN: I don't want to blow by the Taiwan issue because I do think that continues to be the primary third rail in U.S.-China foreign relations, at least in the region. I think all this other stuff is new and shocking but, you know, if you have to sort of poll your average Chinese official, that's going to be the – continue to be the first concern.

And there is growing concern in Beijing that maybe Ma might actually not win, and what does that mean? And what would happen if, you know, U.S.-arms sales to a DPP – suddenly, DPP group were to take place? So I think that continues to be the primary focus but all this other stuff is new and it's creating a lot of bubble of discussion and debate.

MR. GREEN: Let me briefly – I completely agree with that. And the amount of time spent on Taiwan will actually be very short in this summit I suspect. 2000 with Clinton, 2001, '02, '03 with Bush, Taiwan occupied maybe 30 percent, 40 percent of the dialogue and there's a sense it's sort of under control and quiet now.

But Charles is right, Hu Jintao's legacy hangs on what happens in Taiwan and if Taiwan goes in a direction not anticipated Xi Jinping will have a very hard time justifying the current – you know, not accommodating, but more peaceful development mode towards Taipei. (Laughter.) So this one is not – is not solved yet.

Q: (Off mic.)

MS. GLASER: Let me weigh in on that since my colleagues have already said something about Taiwan. I think that – first of all, I would say that Secretary Gates' statement, in my mind, is really not new. The logic behind that statement is that if there's an improvement in cross-Strait relations, there is a significant reduction in the Chinese military threat to Taiwan, Taiwan itself will need to spend less, procure less in terms of advanced weapons from the United States, and in that context, would then ask the United States for less.

I don't think that Secretary Gates was saying that the United States, by itself, is going to make an assessment that it – because China is pressuring us that we should – we would reconsider this position in our obligations under the TRA. I don't interpret it that way at all and so I think this is very consistent with past U.S. policy.

I would agree with Mike: the Taiwan conversation between President Hu and President Obama will be short. It will be a reiteration of past positions, present concerns. I would certainly expect that Hu Jintao would want to signal that sustaining the military relationship depends, in part, on the United States not selling major advanced weapons to Taiwan. I would doubt that he would get into specifics.

Q: (Inaudible, off mic) – and basically the threat.

MS. GLASER: It's based on the threat and Taiwan's defense needs, which are in part a function of the cross-Strait relationship. But this would be – in my view, it's left up to Taiwan to decide what Taiwan's needs are and then what requests they then make of the United States.

MR. SCHWARTZ: Questions? We'll go in the back here and then we'll come over here.

Q: Hi, Bei Lin (ph) of the World Journal. Could the panel elaborate on the – on differences between the civilian and military leadership in China and how dangerous it – war can become?

And also, there's an observation that after President Ma has become – coming to power, is China feel more confident or more comfortable that Taiwan's issue kind of taken care of, at least, for a temporary period of time so that they can feel free to crack down on Tibet the first year and Xinjiang the next year? And then maybe feel more free to – or more assertive in East Asia and the South China Sea? Thank you.

MR. GREEN: Let me start. I think – I think the civil-military relationship with China is not only a focus of interest for academics and media but is a real concern for the administration, and there are several problems.

The good news is Secretary Gates, you know, got some momentum and there's some prospect for more dialogue. And Bonnie can probably say a lot more about what's likely to come.

The bad news is that, one, the PLA leadership is free to speak on foreign policy in a way they never were before and take actions that can really spoil efforts to build a more, you know, stable relationship with the U.S. or China's neighbors.

Second, despite some tactical changes in Chinese diplomacy in the region, the military buildup in the East China Sea, South China Sea, along the Indian border continues moving forward. And the stealth test yesterday was the PLA's message to the world that that's the case.

And the third thing is, although Hu Jintao chairs the Central Military Commission, and presumably Xi Jinping will as well, when you look at the photographs and the images of Secretary Gates in China, one of the most striking is how every meeting he has, basically, the other guy is wearing a uniform, whether it's the defense minister, the chairman – the head of the air force, the PLA, too, intel; whoever it is, the other guy has a uniform.

So the checks and balances of the oversight of the PLA is a growing concern and hopefully Secretary Gates' visit will start moving this dialogue forward and shedding more transparency. I think it's going to be a very high priority on this trip, together with trade and human rights in North Korea. I mean, from my experience, people would often ask, what's your highest priority in this trip – China visit? And you had five and you couldn't say, you know, it's one, two, three, four, five. They're all – (chuckles) – really challenging.

MS. GLASER: One of the reasons that Secretary Gates proposed this new security dialogue is indeed to bring the civilians and the military into the same room to coordinate – promote coordination on security issues. I mean, in our system we don't talk about these issues – two separate stovepipe systems. And we need the Chinese increasingly to begin to coordinate.

Yes, I agree with Mike. There are concerns about the civil-military relationship. There's some evidence of that. For example, there are indications that the PLA really did not want to

resume this military relationship and when it did, it was not as enthusiastic about having Secretary Gates visit. They were essentially told to get on board and they did. But I could cite similar cases in our system – (chuckles) – so China is not unique in that regard and so I wouldn't want to exaggerate the differences.

When it comes to civilian control over the PLA – party control over the PLA, I don't believe that that is what – that that's in jeopardy. I don't think that's what we're talking about here. But yes, there are differences. There are some concerns in the Obama administration and trying to get these two communities in the room to talk about security issues I think would be very helpful.

MR. FREEMAN: Just to answer your – to your second question, whether the more calm relations across the Taiwan Strait have been a reason that the PLA has been more assertive: I'm not sure that you can draw a direct correlation. Although, you – certainly some people have suggested that as a result of the relaxation tensions that the People's Liberation Army needs other tensions to justify force – new forces in the rest.

But I think the bottom line is, if the PLA really was not as focused on Taiwan as an issue, you would have seen a lot more pullback of missiles and other things that just haven't taken place. So I'm not sure the People's Liberation Army is as relaxed as perhaps the civilian leadership might be.

Q: (Inaudible, off mic) – a quick question for Michael. We talked a little bit about this – sorry, Tracy Quek from the Singapore Straits Times.

South China Sea disputes. China, U.S. have a long list of things to work – how do you think this South China Sea dispute – especially those involving Southeast Asian countries are going to figure in the upcoming talks? That's one.

And for Charles, I was interested when you talked about when you attended the meeting with the incumbent, the newcomers, into Congress. The people who were taking a more hotline stance on – towards the currency issue towards China, were they from the Tea Party wing of the Republicans?

And also, how much awareness is there about what China says in its defense about, you know, raising the currency is going to affect its export sector, which supports millions of jobs, which could be lead to social unrest and all that? How much, you know, finesse or understanding is there about those kinds of domestic concerns in China do you see among the newcomers? Thank you.

MR. GREEN: I would imagine the South China Sea will come up because if this were on the margins of a U.N. meeting or G20 or something, there might not be time, but I think they'll have time and I think it will likely come up. In some ways it has cooled down. Secretary Clinton in the July ARF meeting was pretty forward-leaning, appropriately, about U.S. interests in this issue. Really gave ASEAN a lot of support.

China has now gone back to the discussions, as you probably know, in the code of conduct, so instead of negotiating and pressing ASEAN countries separately, they've agreed to go into a collective discussion, which is what ASEAN wanted and I think it should be what the U.S. wants. You know, we're back now to a diplomatic approach. And so in that sense it's cooled down.

The Chinese side has said, look, we never said publicly South China Sea is a core interest for China, although, privately they did to U.S. officials. So everyone is sort of backing off a little bit and I think it's a successful outcome. But I think the president will raise it just to remind President Hu that we're watching and we care and the proof will be in the pudding in our U.S. engagement with ASEAN, which is pretty robust and I think will continue.

MR. FREEMAN: Just real quick to – as far as who in the Republican Party is more anxious. I mean, there certainly are – there are some members that are more vociferous on a lot of different issues. I was really struck by the fact that this issue really has much more resonance than I expected. And a lot of people are trying to figure out exactly what are the options to deal with this challenge and what are the legislative options? What are the tools that we have in the toolbox?

A real eagerness to actually find a solution as opposed to simply talk about a solution, which I know has been a feature of the current – current debate for a while has been, well, how do we demonstrate our sincere anxiety about the issue as opposed to, okay, what are the real – what are the real tools that we have to manage the challenge such as we see it? Is there an understanding of the domestic reasons within China for a go-slow approach to currency flexibility? No, Chinese don't vote here so it doesn't really matter too much to people.

But I will say that it's – those of us that have followed this issue note that even at the time when the export lobby in China and the coastal regions were screaming that a 2, 3-percent revaluation would cost millions of jobs, at the time, from the very first part of the last decade when they did begin to make adjustments, China's current account surplus skyrocketed. So the notion that suddenly China's exports were made uncompetitive is a complete fallacy and so the fact that the export lobby continues to make this case really flies in the face of all evidence.

So you know, maybe there should be more sensitivity to the concerns of the Beijing about a rapid expansion or rapid revaluation of the renminbi, but, to date, the evidence is pretty solidly there that a revaluation isn't going to cost China the jobs that it says it is.

MR. SCHWARTZ: Go right back here. We're just going to take a couple more.

Q: (Off mic.)

MR. GREEN: Well, I can answer why President Bush didn't. And it was – because you know, every state visit he did was with – essentially with a democracy. (Chuckles.) And the president, in particular, in the second term, you'll recall, emphasized what he called the freedom agenda, the importance of democracy and human rights and rule of law in American foreign policy.

And frankly, the politics of it were, as I described, fraught with peril, not only for the president, but for U.S.-China relations. I mean there's a bit of a – there's a risk if you want to stable and productive U.S.-China relationship in overselling where we are. You should ask the administration why they chose a state visit.

I think their answer would be that we'd want to demonstrate U.S.-China relations have come to a new level, that we can – that respect China and work with China. But as I said, that's not risk free. And part of the challenge is going to be that every Chinese visitor wants more protocol than the last time.

And so now that we've sort of hit the, you know, five-star, gold-plated visit, I'm not sure what – (chuckles) – what President Obama's going to do for Xi Jinping in two or three years. But you should ask the administration. I think there's a logic to it in terms of, you know, as Bonnie, said, showing respect and so forth. But there's also some risk.

MR. SCHWARTZ : Unfortunately – yeah, Victor's going to jump in and then we're going to have to wrap it up because unfortunately, we have another event coming into this room. But before we do, I wanted to say, you all have, in front of you, critical questions compared by – prepared by our experts here which we'll also be e-mailing out later today. And we're all reachable during the visit and before, if you need to ask some individual questions.

And I'm sorry, Victor, go ahead.

MR. CHA: Just on this last question – just to amplify some things that Mike said, you know in the Bush administration's second term, if I remember correctly, that we gave three state visits and they were all to U.S. democratic allies, India, Japan and Australia. And so it was, in that sense, Mike, it was connected to the freedom agenda.

The other thing is that White Houses also are different. You know and not just the policy folks. The protocol folks and the way they do things are different. And the Bush White Houses were famous for being very stingy with these sorts of visits. Everything was generally working-level visit.

And everybody who came in, they got a working-level visit. That was generally what you got. And I think that you can count, maybe on – well, you could certainly count the second term on one hand how many state visits they've given. And you know, I can't speak for this administration, but they seemed to do things in a different way.

And at least my impression is they're not as stingy with the overall protocol. So part of it is just a White House style thing and administrations are different. Not always directly related – necessarily only related to policy.

MR. GREEN: And also just – President Bush found other ways to signify the importance of U.S.-China relations. President Jiang Zemin was one of the few leaders who went to Crawford. President Bush thought that was a great deal. It was his home. It was his ranch. I

think a lot of foreign visitors just thought it was a hot place in Texas. (Laughter.) But it was a real signal of sort of, you know, of special attention to a leader. You get a lot of time to talk. And he went to the Olympics.

So he found ways to not diss China, to show the U.S. wanted to – steadily improving relations, respected China's important role in the world. But I think for the Bush White House, a state visit was in a different category that would be hard to justify, given some important differences that still exist between the U.S. and China that we need to work on.

MR. SCHWARTZ: Thank you all for coming today. And we'll have a transcript up of this later, which we'll also mail out. And we'll have video and audio posted later today as well. Thanks for coming.

(END)