Center for Strategic and International Studies (CSIS)

President Obama and the East Asia Summit

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Location: CSIS, Washington, D.C.

Date: Monday, November 11, 2012

Transcript by
Federal News Service
Washington, D.C.

ANDREW SCHWARTZ: Good morning and welcome to the Center for Strategic and International Studies. Thanks for being here this morning. And we're going to jump right into it. We've got three of our stellar Asia team here to take you through the president's trip, which will consist of, as you know, the south – East Asia Summit, the – he'll be in Cambodia for the first time. It'll be the first time any president's been in Cambodia since the Vietnam War. And of course to Myanmar or Burma, depending on how you – what you call it.

But several of my colleagues who are sitting here have – were just in Burma in September. And we have a number of materials outside of the room here that you can take on your way out. One is their trip report to Burma. The second thing is we have – CSIS was asked to do a major study on the Pacific posture. This was a thing that Congress mandated the Department of Defense to select an independent entity to give an independent assessment of the United States' Pacific force posture.

And that's out there. There was a piece in The New York Times this weekend also that discussed that. And lastly, we have Matt Goodman's program newsletter, which is out there this week, and it's all on the summit. So all those materials will be available. They're also available on the web.

With that, I'd like to introduce my colleague Mike Green, senior vice president at CSIS, who's the overarching director of our Asia program. And we'll – Mike's going to give you some introductory comments and then we're going to go to Matt Goodman and Chris Johnson to follow. Thanks for being here.

MICHAEL GREEN: Thanks. Happy Veterans Day. I want to talk about the overall trip scene and some of the specific stops. And Matthew's going to talk about the East Asia Summit which, until about a year ago, he was in charge of staffing for the White House. And then Chris will say more about the elephant in the room, how Beijing is viewing, reacting, causing all of what's happening.

The president goes, as you know, and will be in the region 17th to the 20th of November. It is good to be president – (laughter) – and traveling abroad after you've just won a big victory. I was with President Bush in his first overseas trip in – after the 2004 win, when he went to Santiago, Chile, for what was an Asia-Pacific – APEC summit. And it was just very good to be president and to be on his staff. So I'm sure they're going to enjoy this trip in many respects. And he will have a lot of clout before – because of this.

Noda, his Japanese counterpart, is almost certainly a lame duck. Lee Myung-bak is a lame duck. Prime Minister Gillard of Australia is unlikely to be around the full four years of President Obama's second term. So the reality is most of the leaders he'll meet with will not have a tenure as long as he will as president. And that gives a president, I can tell you from my own immediate experience, enormous advantage because he knows the other leaders, often better than they do each other, over the course of time. So he'll go into this in a very strong position.

There will be, I suspect, some quiet, nervous talk in the hallways about two issues. One will be the so-called fiscal cliff and, with it, the danger of sequestration. Some will worry, many

– most, I suppose, will worry about the economic implications. Some, particularly allies, will worry about the impact on defense spending at a time when Chinese power is rising. So the fiscal cliff, sequestration will be – will be a – I would imagine a very strong hallway chatter. He may end up reassuring some allies and partners on this or being asked about it. I doubt it will be part of any public pronouncements that any other leaders make.

The other one is who will replace Hillary Clinton. I think this is very much going to be hallway buzz during his trip. Clinton really hit a homerun in terms of her engagement on Asia, her willingness to travel to the region, to listen, her pretty much perfect attendance record at the ASEAN regional forum and other summits – frankly, the first secretary of state to have a perfect attendance record. She's really put her mark on Asia policy. And I think there will be some anxiety, or at least anticipation, among the other partners in the region about who will replace her.

The context for the trip is the pivot to Asia. The administration spent a lot of time trying to walk away from the term "pivot," but President Obama use the P-word in the debate, so I guess it is here to stay. In some ways, the three countries that he will visit – Thailand, Cambodia – Thailand, Burma, Cambodia – in some ways, they're sort of the three troubled children of the pivot. Each has a complicated relationship with the U.S. and with China.

And briefly looking at those – Thailand, he'll meet with Yingluck Shinawatra, the younger sister of the Prime Minister Thaksin, who was ousted in a coup. That coup in 2006 created a lot of difficulties in U.S.-Thai relations. The red shirts, who were with Thaksin, were angry the United States didn't reverse the coup; the yellow shirts, the monarchists who supported Prime Minister Abhisit, were angry with the United States for not doing more to support the coup and what they saw as the restoration of democracy.

We did polling in 2009 at CSIS where, other than China, the elites in Asia who saw the U.S. as the biggest threat were in Thailand. And I think that reflected the complicated nature of our relationship after the coup. We're a treaty ally and it's our oldest diplomatic relationship in Asia. Trade has grown. The military exercises we do, Cobra Gold, every year with Thailand are now the biggest land exercises we do outside of Korea. So it's really important relationship.

But the relationship continues to have its complications. The Thai government refused recently to allow NASA to use U-Tapao Airfield for surveilling and monitoring atmospheric conditions because of a backlash or concerns that somehow the U.S. wanted to use it as a military base for the pivot. And this is somewhat – in some ways it's a kind of internal political problem in Thailand. In some ways it reflects the ambivalence some Thais have about being too close to the U.S.

I mean, Thai foreign policy has historically been known as a foreign policy in which Thailand survives by drifting with the breeze. You know, if you think back on World War II, Thailand wasn't a colony. Thailand remained more or less independent, even under Japanese dominance. Thailand has always sort of gone with the breeze. And China's very much the breeze now. So I think the president's trip is really the first significant effort since the coup in

2006 and since the pivot to take stock of and see where we go forward with Thailand as a treaty ally.

Burma or Myanmar is the most fascinating trip by far – first president to go. A year or two ago it would have been unthinkable, but there have been big, important changes in that country which we've assessed. Chris and Ernie Bower and Maria Hurbert (sp) and I did a report from our trip. There are big, positive changes.

Aung San Suu Kyi is in the parliament. There's a human rights dialogue with the U.S. now that's fairly candid that includes U.S. three-star generals talking about the role of the military in democratization. Prisoners have been released from – political prisoners released from prison. New labor laws that promise to sign onto the Extractive Industries Transparency Initiative, EITI. So there's a lot of change in the wind.

A lot of human rights organizations, Burmese exiles have said it's too much, too soon for the president to go to Burma. There's still somewhere around 300 political prisoners. There are hundreds dead and over a hundred thousand displaced in Rakhine state that borders Bangladesh. The Rohingya people, who are called by the Burmese West Bengalis, are in this very, very difficult ethnic conflict. And it's not clear whether the positive moves by President Thein Sein will take hold in the most difficult areas – the 11 areas where there are conflicts with ethnic minorities.

In 10 of those 11 areas there are cease-fires, but cease-fires are just agreements to separate forces. The underlying cause – the underlying problem, which is basically cronies in the Burmese military or ex-Burmese military, often with Chinese funding, are grabbing land. And natural resources in timber and gas and oil and so forth are being exploited and not a penny of it is going to the ethnic minorities. So the cease-fire, separating the forces is one thing, actually having an enduring political solution to this question will really test how much writ – how much influence Thein Sein has over these very powerful cronies, or as they now call them, proxies.

So it's a bit risky for the president to go. This is not irreversible in the view of many people who observe Burma, and myself included. I think I the president goes to Burma, not as a victory lap to sort of champion this intriguing and fascinating piece of the pivot, but rather as an opportunity to encourage and push for more reform and acknowledge what has to be done, I think it will be a successful trip, and the White House will have to resist the temptation to make it a kind of spin or victory lap on the pivot.

Cambodia's the other stop. That's where the East Asia Summit is, which Matthew will talk about. Cambodia's human rights situation is pretty bad. Human Rights Watch uses the word "dismal" to describe it. Under Hun Sen, civil society has been repressed. The opposition – political figures have been arrested. The U.S. Senate sent a letter to the president, 22 members, expressing concern about Cambodia.

Cambodia also is, much more than Thailand, highly susceptible to Chinese influences. Cambodia's largest trading partner is the United States, but Beijing has demonstrated an ability

and a willingness to kind of lean on the Cambodians to get them to do things that are in favor of China's foreign policy within the Association of Southeast Asian Nations, convincing Cambodia to drive ASEAN's policies in directions that favor China.

The most recent example was at the ASEAN Regional Forum, the foreign ministerial held in Phnom Penh. This year, Cambodia is the chair of ASEAN, so they host both the foreign ministers' forum in the summer and now this East Asia Summit Matthew will talk about, which is at the leaders' level. Last summer it went pretty badly from the view of a lot of people. The secretary of state, Hillary Clinton, other countries in ASEAN – Japan, Australia and others – had been pushing to have the South China Sea issue tabled and discussed, even lightly, in this forum, and Beijing leaned on Cambodia and got them to block that. So for the first time in its history, the foreign ministers' meeting, the ASEAN Regional Forum, did not issue a joint statement because they couldn't get consensus. And so this will be interesting, and I look forward to Matthew's comments, how the president will handle the East Asia Summit where, in a way, we're on an away field in the summitry politics.

So to conclude, I think the president goes in a very strong position. He will be in many ways the senior person with a guaranteed, you know, eight years, which many of his counterparts won't have in office. There will be some hallway banter about the fiscal cliff and about who will replace Clinton, but I don't think that will shape the overall summit. It will, in my mind, be interesting to watch how democracy fits in the pivot, given the stops he's making in Cambodia and in Burma. It will be interesting to see whether multilateralism, which is critical to the pivot, can be salvaged after a pretty much broken ASEAN Regional Forum in Phnom Penh.

And finally, it will be interesting, and maybe Matthew will say something about this, to see whether TPP, the Trans-Pacific Partnership, gets a new bust of enthusiasm from the administration now that the election's over and, frankly, Ohio and Michigan are less influential – (chuckles) – then they were, you know, two weeks ago. So that's a lot of – a lot of questions for Matthew to answer.

MATTHEW GOODMAN: I was going to say, I'm –

MR. SCHWARTZ: Well, who is going to replace Hillary Clinton? (Laughter.)

MR. GOODMAN: Guesses? It's a fun parlor game, isn't it?

MR. SCHWARTZ: Right. Right.

Matthew Goodman.

MR. GOODMAN: Nobody knows.

Well, thank you. And again, I appreciate you all coming out on a – on a national holiday.

So I'll just focus on the East Asia Summit, which is really the – kind of the organizing principle for this trip. I mean, had there not been this summit, the president probably wouldn't have gone to Asia at this time. So it's – really, everything else is hooked on it.

So the East Asia Summit, just to do the facts, was established in 2005 as a grouping of the 10 members of the Association of Southeast Asian Nations, ASEAN, and a group of six other Asian powers, so China, Japan, Korea, Australia, New Zealand and India. And it's really the culmination – and then just the United States and Russia were invited in 2011 to join for the first time at the leader's level, and so it is now ASEAN plus eight other regional powers, essentially everyone else that matters in the broader Asia-Pacific region.

And essentially, it is the culmination of a whole series of ASEAN-centered forums. So actually, the week that ends on November 20th with the East Asia Summit will actually include about – I think I counted 12 leader-level summits that ASEAN leaders will be participating in with each other, with a whole series off individual countries, including the United States – also China, Korea, Japan each have their own bilateral with ASEAN. There is – there's a – there was a European summit with the ASEANs as well at the start of all this, and then there are meetings with U.N. heads and others. So it's a – it's really ultimately just the culmination of a series of ASEAN things.

And that's important because of the reason the U.S. signed on to this in – last year. The U.S. traditionally had participated in the APEC summit that Mike mentioned, the Asian-Pacific Economic Cooperation forum, which we helped to establish, and certainly, we raised the leaders level in 1993. So presidents have been going to this for almost 20 years, and it was the only forum in Asia that the president regularly met with his – with his peers in an Asia-Pacific context. And the decision was made to add this second summit and a – and the implication of a second trip to the Asia-Pacific every year, which is a pretty big deal in presidential scheduling terms alone to get the president out to Asia twice in a year, but it was felt that the time had come.

And there were probably two major motivating factors, I think. One was to send a clear signal of commitment to the Asia-Pacific region to indicate the U.S. is an Asia-Pacific power and wants to be engaged in regional affairs, and in particular to send a signal of commitment to the ASEAN region because EAS is an ASEAN-centered forum. And so that was really reason one.

And reason two was to fill a gap in the institutional architecture of the Asia-Pacific because APEC was really focused, almost exclusively, on trade and economic issues, and there are – and there are other forums that deal with political security issues below the leaders level, like the ASEAN Regional Forum and the defense ministers' forum and others, but there was no place for leaders to have a discussion, a formal discussion of political and security challenges that they all face in the region. And so it was felt that signing on to this particular forum and helping to steer it towards a – you know, a more robust conversation about those issues was very important.

Now, the agenda, that said, of the East Asia Summit is pretty – I say in my newsletter – indistinct is the sort of diplomatic way of putting it. It's kind of mushy. It has had a smorgasbord of different topics, relatively noncontroversial topics, energy and environment,

education, avian flu, finance and – what's the fifth one? Oh, disaster response. And then in addition to those five topics, which are on the formal agenda, it has had kind of side conversations on two additional topics, trade integration and connectivity, which is ASEAN's aspiration to link the broad expansive ASEAN region through telecommunications, transportation and other linkages. And so that was the sort of five plus two agenda that was on the table before last year.

The United States added a plus one – ASEANs love pluses, so you'll find that, you know, there is ASEAN plus forums of one kind or another – and the agenda last year was called the five plus two plus one. So five was the original five that I mentioned, two is trade and connectivity, and plus one was other issues broadly defined as political security issues, which was really what the U.S. brought to the table. And within that set of – that one set of topics, the U.S. in particular focused on two substantive areas, one maritime security, and the other nonproliferation of weapons of mass destruction.

And within – and thematically across those – well, actually, all three issues that the U.S. expressed an interest in, which were those two – maritime security – maritime security and nonproliferation – and one of the original five, which the U.S. honed in on, which was the disaster response item because the U.S. has obviously experience and capacity to bring to the table on that, the themes that ran across those three topic areas that the U.S. was particularly interested in were reaffirming international rules and norms in those areas; secondly, building capacity of individual members of the group in addressing those challenges; and thirdly, promoting regional cooperation on those issues. Some of those things, of course, overlap, but those were conceptually the kind of three focuses or emphases on those three areas.

And so last year there was a very resounding reaffirmation of international norms in maritime security and nonproliferation at the leaders' summit in Bali, Indonesia – actually, frankly, better than we had expected, in the sense that 16 of the 18 members around the table, including China, ultimately signed on to these – to these norms, and then discussion of capacity and regional cooperation efforts. So this year, I would expect the president to want to continue, essentially, that framework of issues and themes, and to – what I would look for is an effort to put more – a little bit more meat on the bones of some of those issues, like new areas for capacity-building or new agreements to try to promote a greater understanding of and practice of international norms to enhance maritime domain awareness and so forth.

So that's what I would look for. I'm not sure how much of that we're going to get, for two big reasons, one of which is that the ASEAN way, as it's known, is to get people together and sort of try to reach a broad consensus on things. There tends to be a bit of a lowest common denominator approach to some of these issues, and it's hard to get really concrete progress on any particular issue. It's certainly something that takes not just one summit but many summits to advance progress.

And then secondly, there is this issue of the South China Sea, which hangs over – hangs over the discussions, and I think that I'm going to let, you know, Chris address, you know, sort of, the elephant in the room as it were, or the whale in the – in the South China Sea. And – but I would say that because of the – as Mike said, the unfortunate events of the summer at the – at the

ministerial level, where there wasn't agreement on a – on a – on a – on a joint statement for the first time ever, there is a fairly sort of tense situation going into this summit.

Now, you know, there is reason to believe that China is going to come to the table with a somewhat different perspective – and Chris, again, may address that – and I would say that there is still a – I think, a broad-based hunger in the group for a discussion of the issues surrounding the South China Sea, including at – certainly at the level of reinforcing international norms like freedom of navigation and respect for international law and non – and peaceful resolution of conflict – strike the non – peaceful resolution of conflict. (Laughter.) But – so I think that there is some room for discussion of these issues, but frankly, I think it's going to be hard to get to the meat of some of the – certainly some of the individual claims and disputes.

The EAS is not a forum that is likely to be able to resolve those issues. And the U.S. hasn't insisted on that, by the way. So – but even to have a – sort of a somewhat more robust conversation about some specific things that could be done under those themes I mentioned, like capacity building and regional cooperation, is going to be difficult because of the background environment. So let me just say one word about economics, and then – and then I will move on.

This trip, I think, will be primarily not an economic trip. I mean, last year we made a very conscious decision not to engage in the fairly soft economic agenda in the East Asia Summit because we were hosting APEC in Hawaii just before that, and we wanted to keep the focus on our objectives in APEC, and secondly, because we really wanted to – we wanted to plant the flag on the political and security issues and not be distracted by the economic issues. I think this year the sort of attitude will be a little different. I think the U.S. will be a little more interested in engaging, but just to knock off something that we will not do in the economic realm is we will not participate in something called the Regional Comprehensive Economic Partnership – it's quite a mouthful, but the RCEP, which you can Google and find out more about, which is an ASEAN plus six initiative to promote trade integration. So that's everybody but Russia and the United States will participate in that. That will be announced just before we get there, probably.

There may be an effort to counter that with some sort of broader ASEAN initiative that the United States takes in the economic realm. I mean, the U.S. has a number of things going with ASEAN, but I would say that that would be some kind of an effort to pull all of that together as a kind of an ASEAN initiative that looks like something new and different. I would say it would – with a high degree of confidence, it will not be anything that looks or walks or talks like a – like a free trade agreement.

The U.S. is – as Mike said, is committed to the Trans-Pacific Partnership, which involves a number of members of the East Asia Summit but not all of them, and the U.S. is aiming for a very high-standard agreement. I think the U.S. will continue to push that, and in a second Obama term, I would expect – I would hope, certainly, and expect that there will be less constraint on the United States in pushing forward for an agreement that involves some concessions on our side, which is really what it comes down to in order to get – in order to get what we need in TPP. I don't think TPP is going to be discussed actively in Cambodia, but just to put that on the table as part of the background here.

I'll stop there.

MR. SCHWARTZ: Great. I had thought that possibly we would have lost a few people due to breaking news surrounding General Petraeus, but actually, there's a force out there much stronger than that. It's the Red Line has broken down. So – (scattered laughter) – feel bad for our – yeah, I feel bad for our colleagues who are late this morning. But we will have a transcript out later this afternoon, and of course, we'll have audio and video posted as well.

With that, I'd like to introduce Chris Johnson. Chris joined CSIS about six months ago, where he had left the CIA, where he was the top China analyst there, and there is nobody that we know who knows more about what's going on in China vis-à-vis all these issues than Chris. So Chris, we're glad to have you here.

CHRIS JOHNSON: Thanks. Let me just amplify a few things that Mike and Matt have addressed and then talk a little bit about the elephant or whale in the room or lake. (Chuckles.) I think, with the Chinese representation at EAS this year, it also – they also face the lame-duck problem. You know, we'll have Prime Minister Wen Jiabao and kind of his sort of final rounds. So I don't expect the Chinese to be bringing a fundamentally new agenda to the EAS session this year. I think more what we're going to see from the Chinese side are atmospheric soundings about what their future approach is going to be, to the degree that they've even begun to discuss it, and I think there's some real questioning on that as well.

But to step back just a little bit, I think it's – primarily, the challenge for China coming into the EAS this time is that, you know, their presence and this summit are set against a backdrop of growing regional tensions over these territorial issues. Primarily, obviously, in the East China Sea, I think, has been more the focus in the last couple of months, but obviously, earlier this year we had serious problems in the South China Sea between China and the Philippines. And as Mike alluded to, and so did Matt, the sort of tactics that China used to respond to U.S. efforts to kind of bring the issue onto the table – not just U.S. efforts but also Southeast Asian country efforts to bring the issues onto the table at the ASEAN Regional Forum this summer met with a very firm Chinese reaction, and it appeared, at least from my optic, that China felt that they needed to draw a red line after having watched this, for a couple of years, go on, first with Secretary Clinton's intervention at the August 2010 – or excuse me, July 2010 ASEAN Regional Forum, and then again in '11 – I think the Chinese felt they needed to send a signal that they were drawing a line, if you will, under this, and suggesting how they at least would move forward.

Unfortunately, I think they chose to use the bluntest of possible tools to exercise this, which is their economic and political leverage over Cambodia, and what was – seemed striking to me at least at the initial point of incident was that China did not appear to recognize the negative consequence that that would have, certainly within ASEAN, but also more broadly. In fact, Foreign Minister Yang Jiechi at the time praised the Cambodian prime minister for, you know, effectively scuttling any kind of agreement within ASEAN. We then had the Indonesian foreign minister run around trying to paper things over and, you know, come up with some sort a consensus document – but a serious damage, I think, to ASEAN, and a sense really from China

that that was OK with them. And I think that the regional implications of that, particularly within ASEAN, are still unfolding.

Quickly, all – in simultaneity, almost, the establishment of this Sansha city in the South China Sea and the – more importantly, the corresponding military garrison, likewise, the announcement by the China National Offshore Oil Corporation of blocks for let clearly within Vietnam's EEZ. I mean, a series of actions by China that suggest that a very strong and robust response to perceived U.S. and other pressure on their policy on the South China Sea.

As both Mike and Matt have alluded to, however, there does appear, at least when I was in Beijing two weeks ago, to be a decided effort here at the EAS to kind of, once again, push the reset button with Southeast Asia and to come in, this time discussing trade and growth through the RCEP, but also bringing their pocketbook – their checkbook along with them. I expect to see some announcements of deals related to China's, you know, interactions with the various ASEAN countries and with the ASEAN, you know, comprehensively as a whole.

So the question is to what degree will this be effective with the ASEAN countries? You know, the sense that one gets in China, I think, right now, is that they feel they have the flexibility to, you know, kind of push the reset button. And in some discussions I had with scholars and others there, I suggested to them that, you know, there is this sense that every time they do this they have, you know, an emphasis on the economic and trade piece, the kind of friendly smile diplomacy, if you will, with the region, and then some sort of assertive cycle of behavior over these territorial issues.

And the sense that one gets is that every time China turns the page with ASEAN again, they feel they're starting with a blank page each time they turn the page. And my sense is there's a new paragraph written on the page each time – each time there's one of these assertiveness cycles. And I don't get the sense that they appreciate that. So it will be interesting to see how the ASEAN countries choose to signal that to China and then how China will respond.

I think primarily you're going to see a mixed message for China, and it's going to be tricky for them. They have to try to walk a line, I think, between this desire to patch things up with Southeast Asia and not a lot of interest or at least signaling, anyway, that they intend to make any major concessions in the dustup with Japan. That seems to be continuing there.

I think fundamentally, just as more of a step-back point, it's important to highlight that China appears to have sort of fundamentally reassessed the way it's going to handle the Senkaku/Diaoyu issue going forward. I think there are two fundamental things there. One, they feel that Japan, through the purchase of these islands, has fundamentally changed the status quo. There are kind of two, I would almost argue, myths that China appears to have convinced themselves of that seem to be driving their policy. The first is that, you know, going back to the sort of so-called deal between Deng Xiaoping and then-Prime Minister Fukuda that they would put this, you know, situation on the shelf for the long term, the Chinese clearly feel that the purchase of the islands, you know, breaks with that agreement and so on. And I actually think that's kind of the more minor one.

And the second one is that the Chinese appear to have convinced themselves that at one point in time, Japan had acknowledged that there was a territorial dispute over these islands. And now, of course, Japan does not acknowledge that publicly. And the Chinese policy seems to be quite clear that they feel they need to again – and, you know, I've heard the term "force" used several times – Japan to again acknowledge that this is indeed disputed territory. And I think we see this with the rapid increase in operational tempo of Chinese vessels, not necessarily gray hulls, naval vessels, but these fishing administration and oceanic surveillance ships and so on to challenge Japanese administrative control. That appears to be, you know, the clear policy.

Interestingly, in comparison to what we saw, I think, in Scarborough Shoal earlier in the year, the Chinese also are being much more forthcoming publicly about what they're doing in the Senkaku situation. You know, in the Scarborough Shoal, they did it in a de facto manner. If you're a Philippine fishing boat, you still will not be able to enter the – (chuckles) – Scarborough Shoal at this point. And the Chinese presence is still there, but they don't talk about it. You know, with Japan, they seem to have been much more public in the way they're doing this. And I think this is in part because of, you know, other tensions in the bilateral relationship.

But as Mike alluded to, the fundamental problem in that situation is we have a Chinese leadership that's going through its own transition. We have a very weak Japanese leadership. And so the potential, at least, for serious problems as long as both sides are doing this tit-for-tat sort of off-tempo increasing is very real. So walking that line between what appears to be a clear signal that they're going to maintain a tough stance on Japan while trying to send a friendlier signal to the South China Sea-oriented situation is going to be interesting to watch.

I think more fundamentally as well, in terms of the U.S. relationship, a couple of things. I agree with Mike a hundred percent that President Obama comes into the situation with a fairly strong hand, having been re-elected. What was interesting was the tone of the congratulatory message from China to the president's re-election where the Xinhua News Agency basically highlighted that all of the problems in the relationship had been the fault of the United States and offering the U.S. the opportunity to kind of mend its ways to move the relationship forward in the new administration. So that's kind of an interesting tone-setter for how you want to address, you know, the relationship.

And I think this is going to be the situation. Wen Jiabao's not going to do anything about it but, you know, when Xi Jinping, the new leader, comes in, he's going to have to decide, I think fairly early on, what kind of signals he intends to send about arresting the drift that I think most people ascribe has occurred in the bilateral relationship in the last several months and whether he's going to try to take some positive steps on his end or whether, per the Xinhua commentary, we're more likely to see China kind of fall back on its traditional position, which is to suggest that the ball is somehow in the U.S. court, you know, for taking, you know, the next – moving the relationship forward.

Part of that may be some of what we saw in the commentary as well, which is continuing unease in China with what the Obama administration's approach is. They feel certainly ambivalent about the administration's approach, I think, over the last four years having seen in the beginning of the administration a very clear sort of outreach process and hand extended and

then following on with the strategic rebalancing policy. So there's tremendous confusion, I think, within Beijing as to exactly what the Obama administration's approach is.

I think that is probably made worse by the fact that the leadership has been so distracted this year by the leadership transition and the many internal scandals that they've had to deal with on the road to the leadership transition. And in my assessment, anyway, there's no evidence that I've seen that suggests that they've done a step-back, fundamental assessment about what this U.S. strategic rebalancing policy means for Beijing's external security environment in the region and also for, you know, their own security posture going forward. And I think in the absence of such an assessment at the top of the leadership, at the very high elements of the leadership, the voices who want to portray this as containment and as, you know, designed to stop China's rise are being allowed to kind of run loose. And that's allowing suspicion of U.S. intentions to build.

And I think this is going to take, as it has many times in the past – you know, we saw this during the last sort of major assertiveness cycle by China in 2010 and '11, where Hu Jintao himself, and to a lesser extent, or more directly, perhaps, Dai Bingguo, the kind of guru for foreign affairs, stepped in to remind the system that, you know, assertiveness was not the way to go; China needed to keep a low-profile approach advocated by Deng Xiaoping. So I think we're going to need to see another very top-level leadership sort of intervention, if you will, to, you know, kind of tamp these things down and get the bilateral relationship back on an even keel. So far those signals aren't coming. But, you know, they're still in the middle of getting through the transition process.

So it will be interesting to see when we're in their own kind of another dead zone of the next six months after we get past the party congress, prior to the full leadership turnover on the States side, whether or not we'll begin to see some signals about the bilateral relationship or whether it's going to drift another several months until Hu – Xi Jinping is actually in as state president. Another key indicator there obviously will be whether Hu Jintao will remain on as the chairman of the military commission, and we'll know that here later this week. That, I think, is going to be a fundamental signal in terms of how much freedom of action Xi Jinping is going to be able to have to be able to kind of branch off in a new direction, especially with regard to the U.S. relationship.

So that – I think I'll stop there, and then we'll just open it up to –

MR. SCHWARTZ: Yeah, why don't – why don't we open it up to questions? If you could speak into the microphone and let us know the name of the news organization you're with, that would be great. Thanks.

Let's start with Shaun.

Q: Hi, Shaun Tandon with AFP. Probably more for Mike – (inaudible) – on the Burma side of the trip, one of the criticisms of the human rights groups has been that potentially this could give a – solidify the hand of the forces there that the military still – (inaudible) – control of parliament, for example. Did you see that as a legitimate criticism, as a legitimate fear? You mentioned that it's – it would be important for Obama not to do a victory lap, so to speak. There

– what are the potential risks? Or, presumably, the White House would argue that this could actually boost reform. I mean, how do you see it going? What are the potential pitfalls or potential advantages of the trip to Burma at this time?

MR. GREEN: So, like, what Chris and I and our colleagues found when we were there is a quite serious intention to reform the political system, the economy to get the military out of government. Under the current constitution, which was passed with almost 99 percent support while most of the country was underwater in the wake of hurricane – Cyclone Nargis, so it basically was a sham constitution, the military has an iron grip. They are guaranteed 25 percent of the seats of the parliament. The chairman of the parliament has complete – who is a general – has complete control over what's tabled or not tabled. And the national security commission has the right to return to martial law whenever they want. And President Thein Sein doesn't have a – does not have a majority on that commission. It's mostly elder generals. So it's a very precarious state.

But everyone who's in the cabinet, in the president's office, and, of course, Aung San Suu Kyi, are working together and are determined to do this. So there is enough of a kernel – and a lot of generals – (chuckles, laughter) – of seriousness to make the president's trip worthwhile and to talk about, in a way I think he uniquely can, ways that the junta should think about dealing with the ethnic conflicts. Or I thought it was very interesting that the chief Army officer in the Pacific joined the human rights dialogue.

And for us, one of the most interesting trips was when we requested to see the defense ministry and military officers and talk to them, because they don't really have, the military officers, a clue what democracy is. They've been given orders to become a democracy; they read orders to all the troops, saying, we will now be a democracy. So engagement can actually add substance and a bit of momentum.

I don't think – I don't think it will discourage – OK, well, I don't think it will encourage the political prison bosses or the cronies to hunker down. I don't think that will happen. But what could happen, which would be equally dangerous, is it could discourage civil society groups, democratic opposition and the ethnic minorities. If it looks like the president of the United States has sort of decided that these issues are now behind us and that we will assist Burma with no conditions, that would be discouraging for a lot of very brave people who have been working for democracy in Burma. I don't think the president intends to do that, and here's where the spin or the messaging on this trip will be really important. It cannot – in my view, it cannot be a kind of "look what we did" victory tour to demonstrate the wisdom of the pivot because we've turned a country that supposedly is pro-China into pro-U.S. That would be a huge mistake. If it's much more sober and encouraging for Thein Sein, but acknowledging what has to be done quite clearly and meeting with civil society groups and so forth, then it would be, I think, on balance, well worth it.

By the way, we heard in Burma, across the board, this is not about China; this is – we don't want to be in a game between the U.S. and China. What they want is help developing their economy after decades of ruining the economy and struggling with ethnic conflict.

MR. SCHWARTZ: Great question.

Dan, did you have something, in the back?

Q: Well, it was on Burma, but I mean, if you were writing the speech that he apparently is going to give via the – (inaudible) – I mean, what would you be writing for him – (inaudible) – that message in the (minority ?) – (inaudible)?

MR. GREEN: Well, I think – well, I'm not in this White House. (Chuckles.) But I would – I would give a huge shout out to Thein Sein and Aung Sang Suu Kyi and make it very clear that the U.S. values their partnership. You know, in an odd way, the general and the lady are on this life raft shooting the rapids together, and we need them to keep at it. So I – that would be an important part of it. I would obviously acknowledge the list of issues, and Samantha Power has – who is the senior White House person on human rights – has a blog post out yesterday or the day before that I thought was quite good. It gave a pretty honest listing of what the problems are and what has been done. So I would use that as a basis for a speech.

And I don't know if the president plans on doing this, but it is – it's important to meet with civil society groups, which he is going to do, but the ethnic minority leaders are usually not in Burma. Many of them are in Thailand, and most of them are up in Chiang Mai, in the north of Thailand. And I would, if I were in the White House, want an opportunity for the president to hear from a group of the ethnic minority leaders while he's in Thailand. They'd have to be, you know, carefully chosen, and – but just so he can say he's heard a variety of voices. That's the piece I would want to see. I don't know if that's on the agenda or not. I don't know if Matthew knows.

MR. GOODMAN: I don't.

MR. SCHWARTZ: Yes, right here.

Q: Lei Ming (sp) for China Youth Daily. Thank you for organizing this briefing. It's quite informative. A question to Matthew: You mentioned that U.S. priorities were political and security, but it seems that with the announcing of RCEP, China and ASEAN countries would like to – this topic, economic topic, to be dominant. Do you think that would – somewhat contradictory to U.S. priorities? And do you think this initiative would somewhat hedging or competitive to TPP?

MR. GOODMAN: I mean, I can't assess what the motivations for that other effort is and why it's being announced now. But I would say – I guess as – I'm fundamentally an economic policy person, and we don't think in zero-sum terms. I mean, you know, you can do things on the economic front on many different fronts, and – consistently, and not have them run into conflict with each other, or if they do rub up against each other, the competition between them can actually be helpful. It can create some positive dynamic with each side trying to prove that its approach is better and, you know, will promote more welfare gains or, you know, prosperity longer-term. And I think that kind of dynamic is fine.

If it's – if it's being portrayed as somehow an exclusive group that is going to, you know, keep out the United States, then that would be problematic. But I don't think that's what they're talking about. I think that it is a – first of all, I'm not sure that it's a full-bore free trade agreement. It's not clear exactly what the – what the ultimate endpoint of this process is going to be. It's deliberately, I think, called a partnership, because it's not, you know, entirely defined yet. And I think there's no reason to believe it's going to be a closed architecture, so that theoretically, others could join.

And that's also true of TPP. I mean, TPP is at the moment a grouping of 11 countries in the Asia-Pacific region, including some Latin countries, but ultimately, it is theoretically an open-architecture agreement that could pull in every other member of APEC, first of all, but also ultimately other members of the Asia-Pacific region who are not in APEC.

And I think, you know, the way I look at it, those things will coexist, and by the way, there are some other initiatives, ASEAN-plus-three, and there's a China-Japan-Korea FTA being negotiated – or not, at the moment – (scattered chuckles) – but it's being aspired to. And so all these things will coexist, and at some point, they will – I think the logic would suggest that they will all come together in some way. But we're a long way from that, and I think in the meantime, having these different things coexist is fine.

And I don't think it fully undermines the – you know, the political security thrust of what the U.S. is trying to do, by having RCEP. I think they're deliberately going to announce it before the president gets there, and then I think – I believe that in the East Asia Summit context, a majority of the countries involved want to talk about the political and security issues in that – in that forum. So I don't think it will – it will undermine the effort to talk about political security.

Q: Do you think that the U.S. will join or would like to join the RCEP?

MR. GOODMAN: No, in the short term, clearly not. It's put its priority on TPP and, by the way, on APEC and some other – you know, other initiatives, and it will probably try to enhance its own – the U.S. relationship with ASEAN through some sort of repackaged economic undertaking or initiative. But I think pretty clearly, the U.S. is not interested in joining RCEP in the short term.

MR. SCHWARTZ: I think right over here.

Q: Jim (sp) from Street Signs. A more general question for panel: Did you sense whether there's any new thinking in the administration with regards to U.S.-Japan relations and U.S.-China relations? To the extent that, you know, the administration wants to try for reset, what specifically new thing they might be trying to do, or look at the other people?

MR. GREEN: Well, I think the basic contours of U.S. policy towards both Japan and China are quite well-set and were essentially put in place in the Clinton administration in the mid-'90s when you had this – at the same time, an effort to bring China into the WTO, the next stage of the engagement strategy, and the so-called NIA initiative to build up Japan as an ally

again after the Cold War, which expanded in the Bush administration to India and, I would say, in the Obama administration, more to southeast Asia.

So this engage China but maintain a healthy balance of power with our maritime and other allies and partners has been pretty much the playbook for 15 years now. Some secretaries of state lean a little one way or the other. My own personal sense – and I think this is probably Beijing's sense as well – is that Clinton has leaned a little bit more in the direction of alliances and balance of power and that Beijing is watching to see who will replace her with keen interest, as are the Japanese, Australians and other allies in the region. So I don't expect major change, but the tone can change, depending on personalities.

On the Sekaku-shoto or Tiaoyutai issue, that U.S. declaratory policy has been that we are neutral on the territorial question; we don't have a position on whose claim is right. And that's been true for U.S. policy everywhere in the world – the Falklands, for example – except for the northern territories between Japan and Russia; and secondly, that Article 5 of our security treatment, the SALT – the defense clause would come into effect if Japan came under armed attack in the Senkaku Islands.

There's a new dimension that's been coming out in the dialogue with the Chinese side and the Japanese that I certainly picked up, which is the message to China that the U.S. is not neutral – a third piece, which is that the U.S. is not neutral with respect to pressure or coercion against Japan. So under Article 5 we come to Japan's defense if it's attacked. But there's a middle gray zone which involves economic or maritime coercion with the increased op tempo. And the signal's been sent to Beijing, I think, in private – and if you read between the lines, in public – that coercion is also an issue where the U.S. is not neutral.

On the Japanese side, you will probably have an election and probably have Prime Minister Abe come in, who's probably a bit more hardline on some of these issues. On the other hand, he was hardline, and when he became prime minister last time, he immediately went to China and relations improved. So how the Japanese play this will affect reactions back here as well, and I think how China plays it.

MR. JOHNSON: Yeah. I would agree with everything Mike said. I think probably, though, there's a – there's a need on both sides in the Sino-U.S. relationship to have leadership from the top, you know, make some kind of move toward arresting this drift/you know, what's often called strategic, you know, mistrust that's building in the relationship. There has to be some kind of a – and you know, we've seen this come from both sides already, actually. Xi Jinping, when he visited in February, talked about new-style great-power relations. Secretary Clinton, during her trip, made this comment about, you know, the challenge for both sides is to find a new answer to the historical problem of how you – how an enduring power, the United States, accepts the rise of a rising power without conflict. I mean, that is the fundamental challenge.

I think, though, embedded in both of those approaches and both of those statements is the assumption, anyway, that at least one of those two options is a new-style Cold War. (Chuckles.) So some people have suggested that, you know, while new great-power relations is an interesting

theory, it may in fact be a – somewhat of a step back in Beijing's assessment of the bilateral relationship. I heard some of this when I was in Beijing two weeks ago, where I think there is an increasing view that the goal for the next four years is to avoid conflict, not necessarily to improve, you know, relations. So I think both sides are going to have to show leadership, and it's going to have to come from the top.

I personally think there's room for some new thinking in the economic relationship. I think that – because these security issues, just based on what we've been seeing over the last two or three years, I think are going to continue in this kind of tit-for-tat type of realm. Perhaps there's some room in the – in the economic sector with high-tech exports from the United States to China – you know, there's some suggestion that, as Mike alluded to earlier, with the election dynamic now being out of the way, that some of these things that have been more difficult in the previous four years might be able to make some room. I – the Chinese are going to have to show some flexibility, obviously, as well, especially on a lot of these issues with regard to state-owned enterprises, you know, what signals they're going to be sending inside their system.

So there's room for cooperation, but both sides are going to have to take decided steps to overcome what I do think is a realistic sense of building, you know, distrust between the two sides.

MR. SCHWARTZ: Question?

Q: (Name inaudible) – from the – (inaudible) – Times. You talked a little bit about Burma and them being clear that this is not about China or – (inaudible) – getting involved in the – whatever it is between America and China, but also that they were interested in economic development. I'm just wondering about Thailand – what the relationship is there with China and what America will be offering Thailand in terms of, you know, economic trade and those sorts of things. That's the first question.

And the second one is you talked about Xi Jinping – Hu Jintao perhaps starting to take – Hu Jintao perhaps taking and keeping control of the military. And I'm just wondering – I thought that Xi Jinping had quite strong links with the military and whether you would see more pressure on him from the military there – (inaudible) – at the moment. Thanks.

MR. : Sure.

MR. GOODMAN: I mean – well, I don't have a lot of insight into the U.S.-Thai economic question, but I – except to say that, I mean, always on these trips when there is a bilateral stop like that, and particularly with a treaty ally, there will be, you know, discussion of a full range of bilateral interests, and I'm sure economics will be part of that. You know, the U.S., you know, doesn't have a lot of new resources to bring to these issues, so it typically tends to be, in the economic realm, more of a way of looking for possibilities of joining strategic initiatives together.

And by the way, Thailand did express, last year, interest in joining TPP eventually. That conversation was not, you know, taken very far, but there was an expression of interest in

ultimately joining TPP. So that may be part of the conversation. But I'm not aware of any specific initiative that is going to be launched in Bangkok.

Q: Sorry, it's just – I mean, I think that Thaksin is still – he took residency in Beijing, didn't he? So I'm just wondering what the relationship is still there between China and Thailand.

MR. JOHNSON: Yes. I mean, I think fundamentally it's very simple. The relationship between China and Thailand has become much closer, you know, in the last five to 10 years – fundamentally closer. I think when most people do the survey of ASEAN countries as to – you know, if you are putting them in camps, most people tend to ascribe Thailand increasingly to China's camp. I think that's a fair assessment.

That said, I think during the coup process that Mike alluded to earlier and the ways that China handled some aspects of that and so on – you know, there was some pushback as well. I mean, I think what's been interesting to watch with the current government in Thailand is the way in which they've been very open to visits by U.S. officials and to U.S. sort of signals – much more so, perhaps, than Beijing would have expected from, you know, the nature of the relationship over the last several years. So you know, there's a sense that increasingly, perhaps, they're playing the middle, as many, you know, ASEAN countries do. But I think in the fundamental big terms – the trade, especially, relationship and other things – have tilted, you know, Thailand much more in a – in a – in a Beijing direction.

MR. SCHWARTZ: Do you have anything you want to add on the Thailand thing?

MR. GREEN: Well, I just – you know, the – there are historic and geostrategic reasons why, you know, I think, as Chris said, most observers would say Thailand, of the ASEAN countries, is most leaning towards Beijing – or certainly in the top two or three leaning to Beijing. The geography's a factor, the historic ties, strategic culture of blowing with the wind. We do have very good defense intelligence relations with Thailand. And we're treaty allies, and we do major military exercises together. So there are very strong connections with the U.S. that are still there beneath the surface – sometimes above the surface.

There's another factor in all this, which is the Chinese influence in Thailand increased after the coup because we took a position that coups are generally not good. (Chuckles.) And the Chinese position was we're open for business; it doesn't matter what you're doing internally. And that in some ways is one of the unique elements of all three of the countries the president is visiting. Burma was leaning heavily towards China in part because of Western – Japanese, Australian, other – sanctions. We heard repeatedly in Naypyidaw and Rangoon, this is not about China. But to some extent it really, beneath the surface, has to be.

Cambodia – as Hun Sen, over the last decade, has cracked down on civil society and domestic opposition – has found a lot of room with China. So for example, a group of Uighurs sought refuge in Cambodia in 2009. We – the U.S. government, other Western governments – worked with the Cambodian government to try to have them protected under U.N. conventions, and all of a sudden they were sent back to China. And a week later – (chuckles) – with

absolutely no – you know, it was like the scene in "Casablanca" – "Your winnings, sir." With absolutely no sort of shame at all, the Cambodians and the Chinese announced a $1.2 billion trade deal, where the Chinese were going to massively give them economic assistance.

So our – I think we have to be pursuing a policy that advances democracy in these countries. It's not in our national culture and it's not in our interests to give a pass on these. But Beijing is taking opportunistic advantage of these situations. In the long run, I don't think it helps Beijing, because what we saw in Burma was a growing and vibrant civil society, and that's sort of the future of this whole region, I think. And Beijing is on the wrong side of a lot of those issues in the long run.

But that aspect of the president's trip is quite fascinating to me, because in all three countries, China has taken advantage of our position on – and I think correct position on human rights and democracy. And the pivot has been mostly about, quote, unquote, engagement. So how does the president and how does the administration frame issues of human rights and democracy in these three countries? Thailand has a troubled democracy, Cambodia has an increasingly repressive authoritarian system, and Burma's trying to transition out but is highly imperfect.

So how the president frames this, to me, is a – is a – is a new – it takes the pivot from a black-and-white, "we're either engaging or we're not" phase, like in "The Wizard of Oz" to the part where it goes to color. So what is the pivot really, now that you're in your second term? There's the trade dimension. How much do you really rely on these multilateral institutions? Yes, joining them is one big thing, but what do you really want to get out of them when there's consensus, lowest common denominator?

And what do you really think we should be doing about states like Cambodia or Burma on the democratic front? There's a lot more color to be painted in on the pivot on this trip that's not been there, when it was mostly about, you know, a sort of chess game or black and white, engage, don't engage, how close are we. And it will be interesting to see how that all comes out.

By the way, quickly on Cambodia, I think – you know, they made a bid for the U.N. Security Council this year, this last month, as a nonpermanent member. I think Phnom Penh thought China would get them in, and what they found was they couldn't get in because of – because their policies and their behavior on these issues had racked up some negative points with a lot of countries that vote. And I think the Cambodians – it will be interesting. They did China's bidding in the summer essentially at the ARF meeting. They went in to get a Security Council seat, nonpermanent, rotating seat. They got busted; they didn't get it. And it will be interesting to see if they reassess how much they really get out of this quasi-patronage from China.

And, you know, it could be they decide China can't deliver and they've over-assessed their power, or it could be they decide, eh, who needs a Security Council seat; we get a lot of cash from Beijing. So it will be interesting, with the sort of counter-intuitive piece that actually the U.S. is Cambodia's largest trading partner. So a lot of conflicting signals and intentions.

MR. SCHWARTZ: We're going to go to Jeff, and then we're going to go over to Dave.

Q: Thank you. Jeff Mason with Reuters. My question is, you talked about earlier – (making adjustments) – sorry – you talked about earlier how the relationship between the U.S. and China in general has drifted in the last few months. Could you just lay out some of the aspects of that? What specifically has happened, particularly after the outreach with Biden and Xi, both in China and when Xi came here?

And Michael, you also just talked about – you listed Burma and Cambodia in discussing some of their issues with China. Could you go into a little bit more on the Thailand piece?

MR. JOHNSON: On the drift issue, I mean, fundamentally I think the main thing to underscore is – I use the term "drift" quite deliberately because I – I don't use it to say, you know, deterioration, crash, you know, tensions. You know, these aren't the terms. "Drift" I think is an appropriate term. And it has to do with the fact – there are several factors, but I think, you know, going back to the Biden, Xi, and then Xi's visit here – one of the main problems I think we've had this year is just the bilateral calendar, you know, has been inconvenient, in a way, for this. Xi's visit was in February, and there was no other major summitry, really, between the two sides.

I mean, there were the usual sideline meetings at the various venues where the president and Hu Jintao can run into each other, but that's different than a bilateral summit. Those summits tend to work in a very positive way to stabilize the relationship and keep it moving on a very even keel because both sides want a good meeting, you know. And so in the absence of something like that, and a very unique situation – I don't think it's happened since the early '90s – where the presidential election is happening at the same time as the leadership transition – meant that both sides were very internally focused; and there was point scoring, you know, as both sides were focused on campaigning and playing to their internal audiences, not necessarily to, you know, doing what they need to do to keep the relationship firm and stable.

That said, there's a fundamental recognition, I'm convinced, on both sides that each side use the other as the primary bilateral relationship, the most important one in the 21st century. Both sides agree that this needs to be gotten fundamentally right. The question, as I alluded to earlier, is, are – at the very top, are both top leaders going to take the steps, you know, that are going to be necessary to tamp down some of these tensions and to get back on track after this long period of distraction, I think, or drift, you know, is the best way to frame it.

And so I think what we need to see is, as soon as we get through the Chinese portion of this leadership transition piece, here in the next week or so, some signals from both sides – doesn't necessarily have to be, you know, discussion about what to do with summitry, because Xi Jinping can't do anything till he becomes the president, you know, which is not until March, but there certainly can be a sense that, you know, OK, the transitions are over, we're looking forward to working together, you know, going into the future, some sort of signaling from both sides, really, that, OK, now we're going to get back to managing the bilateral relationship.

It could be also an opportunity – what we've seen, I think there's been a very effective channel has been the Asia-Pacific talks between Assistant Secretary Kurt Campbell and Cui

Tiankai, his Chinese counterpart. Those have been very good at filling the gaps, you know, between the sort of large, high-level meetings. So another round of that track of talks would be very useful, I think, in the early going to, again, just sort of send a positive signal that, OK, now we're both focused on righting the relationship.

MR. GREEN: On the – I'm sorry, just quickly on the summitry, Chris is absolutely right. The Chinese side likes to point out that the leaders have had, you know, a dozen meetings or so, but in a 45-minute or hour-long meeting on the margins of the U.N. General Assembly or G-20 or something like that, having been in a number of these when I was in the NSC, you basically – you have sequential translation. The Chinese side has talking points it has to deliver. We know they're coming. And we have talking points we have to deliver. They know they're coming, but we have to deliver them. That takes maybe 20 minutes of the conversation, 25 minutes of the conversation. With translation, that's 45, 50 minutes there. So you have a real discussion, that's unscripted, for five or 10 minutes, you know, once you discount for prepackaged.

At one point President Bush got so frustrated with this he proposed to Hu Jintao they just hand over laminated cards to each other with their talking points and get to a real discussion. We tried different things. We tried one-on-one meetings, two-on-two meetings, because the other dimension of this is the Chinese president often is talking not only to the U.S. president but to the collective leadership of the standing bureau – the Standing Committee of the Politburo, whereas the U.S. president doesn't have to talk to the secretary of state or commerce or defense to keep them happy; they work for him.

And so the dynamics of these meetings, although there are a lot of them, are not – they scratch the surface, in a lot of ways. They revalidate positions. They sort of adjust slightly the message. And, you know, my guess is President Obama and Xi Jinping are due for a long sort of meeting somewhere, Camp David or wherever it happens to be.

Thailand –

Q: And just – sorry, a quick follow-up. Do you say the drift is primarily from this lack of summitry, or are there other aspects –

MR. JOHNSON: No. No. I –

Q: – (inaudible) – handle the other –

MR. JOHNSON: Yeah. So the other aspects would be the tensions that we're seeing in the region over the territorial issues, trade frictions, you know, the whole laundry list of bilateral tensions. And I think that those have been allowed to amplify in the absence of the suppressing, you know, power of something like a bilateral summit, where the emphasis is on trying to smooth out some of those issues if they can.

I mean, a good example is the last round of the Strategic and Economic Dialogue talks, you know, really overshadowed by the arrival of the blind activist Chen Guangcheng into the embassy. I mean, in fact, the fact that there still were some good agreements, especially on the

economic side, that came out of that – or at least intentions shown by Beijing – we'll see what they do with follow-up – you know, suggests that there is room to continue this process.

But I think that what you're seeing, again, is, you know, all of those other areas of tension are the focus of this. This is one of Xi Jinping's reasons, I think, for putting out the sort of new great-power-style relations. In effect what he's saying is, despite all the stuff – all the churn that's going on in these various pockets, we need to elevate the bilateral relationship above that and, you know, to emphasize the primacy of it. The U.S. has sort of bought onto this concept a little bit as well as its own version of this idea, but both sides seeming to say we need to keep the bilateral relationship on a plane that is above, you know, all of the noise that comes from the various disputes and the various (chants ?).

MR. GREEN: Quickly on that, I think it's from my perspective – I don't think the administration agrees, but I think it's useful to think about it sequentially, also. The president, in continuing this "engage China but balance with alliances" strategy that had been pretty consistent over three administrations, tried to establish greater strategic assurance and confidence in the Chinese through the joint statement in Beijing with Hu Jintao in November 2009, through elevating the Strategic and Economic Dialogue, in the context of the meltdown of the financial system and the sort of collapse of growth in Europe and Japan and the U.S. – in the West. So at a time when the Chinese side could tell themselves history is moving to our advantage, the administration set up this new effort at greater, you know, strategic reassurance, promising to respect each other's core interests and other things. And I have absolutely no doubt, having interviewed quite a few Chinese officials on this, that they interpreted that as the new great-power relationship; that the U.S. was saying, in effect, we acknowledge it's a new world.

And then, you know, the Chinese were much more aggressive in 2010 and '11 in the South China Sea, Korean Peninsula, for a lot of reasons having nothing to do with the U.S., a lot of internal drivers, and then the U.S. adjusted back with what was called the pivot, but basically trying to say we still have mojo. And then the Chinese reacted to that. So the relationship's been quite buffeted back and forth. What we've lacked is consistency.

I'm biased in saying this, but you know, President Bush came in and said, we're going to strengthen relations with democracies, and democracy is the best form of government and all this other stuff. The Chinese side took it because there was a certain consistency and predictability to the relationship.

I think the most important thing for the second term is to introduce some – they've gotten all the right elements of the policy; it just hasn't all been at once. So I think the next term, the key thing will be for the president to establish some consistency in the minds of his Chinese counterparts. Summits will help, and I think some disciplining of the disparate parts of our China policy, which has to come from the top, will be important too.

Oh, and Thailand, very quickly – I don't think Thailand is going to become a proxy for Beijing. I think Thailand is going to become neutral. You know, to quote Monty Python, "When danger reared its ugly head, Sir Robin bravely turned and fled." (Chuckles.) I think whenever there's controversy, Thailand is instinctively going to stay kind of neutral and hunker

down. And they've maintained relationships with Beijing that allow them to go that way. And the Thai elite generally assesses Beijing as the future, but they have strong defense, security, economic, intelligence ties with us, with Japan and others.

So there, I think it's not that Thailand becomes a Chinese proxy; I just think they're going to be very careful. They're not a claimant in any of these territorial disputes. They're ethnically Chinese, most of the elite. There's a – there's a natural affinity to Beijing and not a history of strategic competition. And so it's more to the sort of neutrality of Thailand. And probably more than any of those things, they're very inward-focused right now. They're such a polarized political system and society that they're not thinking strategically most of the time right now.

MR. SCHWARTZ: Great. I should say, you all will be getting in your inboxes shortly, if you haven't already, the fact that we're hosting the national security adviser, Tom Donilon, here on Wednesday afternoon to discuss the president's trip to Asia. And so that'll be coming your way as well.

Dave.

Q: You addressed some of – some of my question, I think, in your answers to Jeff (sp). But during the campaign, there was some talk of China, specifically from Mitt Romney, saying the administration needs to be tougher. The president responded, and had even done so before, by bringing up these WTO complaints. Are those – how does China view those? Are those sort of small items that are just sort of something that the president did for show, or there's – is there a serious sort of oomph behind those, and how would – how might that play out as we go forward with China?

MR. GOODMAN: Chris will have thoughts on this as well. No, I think – look, in the campaign season, there's often, you know, tough talk about China, and so that's sort of, on some level, not unusual, and I don't think the conversation was beyond the bands of what is, you know, normal and, you know, fixable after a – (chuckles) – an administration actually comes in and has to govern, although, you know, I mean – well, don't need to comment on matters that are moot now.

But the – but with respect to the – I think the president, you know, is serious about the WTO cases. I mean, he did launch seven or eight, I think, in the first term, and I think he will look for additional cases to launch in the second term. I think there's a clear view that – and this is, I think, a widely held view outside China – that there have been a number of areas in which China has, for one reason or another, not fully implemented or is even slipping back from some of the commitments it's made in the WTO. And I think there's a strong view – and I think it's widely shared, again – that it's reasonable for the United States and Europe and Japan and others who have taken actions to challenge China in – using the rules and, in particular, the WTO.

And so I think, you know, that sort of action will continue, and by the way, you know, China will probably launch cases against the United States and Europe and others as well, and then they'll go through that formal arbitration process, and we'll see how they come out. But I

think you should expect to see additional WTO cases and a continued focus on enforcement and ensuring that China plays by the rules, though the rhetoric won't be as – I think, quite as inflamed as it was.

MR. JOHNSON: I don't have anything really to add – I think that's a great summation from Matt – other than just to say that I agree 100 percent that it's – while amped up by the political season, the general theme of pursuing these cases – I think the president – this is personal for him. There's an economic nationalism component to, you know, a lot of the administration's policy with regard to protecting U.S. manufacturing, you know, and so on. So I would expect to see that continue into the second administration. Likewise, I think, you know, this is probably the best possible route for the U.S. to pursue it, through the WTO mechanism, rather than in some kind of direct trade war with China, you know, over these issues. It's though through a litigation process rather than a competitive process, and if both sides accept the ultimate outcome, you know, when it gets there, that's probably good as a shock absorber, you know, in the – in the – in the bilateral economic relationship.

Q: Will the Chinese accept the outcome?

MR. JOHNSON: Well, that remains to be seen. You know, but as a WTO member, presumably, they will. I mean, I think the more fundamental issue, and what drives a lot of these cases, I think, is when, historically so far, what we've seen is when China has an internal choice to make between its WTO commitments and what it thinks it needs to do to take the internal economy to the next stage, it chooses the internal autarchic solution, you know, just about every time. So, you know, if we continue to see that, then we're going to continue to see the cases being brought. That's my personal (cut ?).

MR. GOODMAN: Is it also fair to say, Chris, that, you know, China's likely to respond better to a WTO approach and using the formal rules, whether it likes it or not, than sort of unilateral actions or things that the U.S. may do outside, you know, those formal processes?

MR. JOHNSON: I personally think so, because I think it's easier to sell internally. You know, and that's what I think actually will have a stronger likelihood of implementation is that they can say, well, we're a member of this multilateral body; it's a world, you know, situation; it's not the U.S. telling us what to do. You know, so I think that's a fundamental distinction there.

Q: Thanks. I hope you'll forgive me for living in Rockville and making a series of poor transportation choices this morning. (Laughter.)

MR. : (Off mic.)

Q: (Chuckles.) You may have done all this. If you have, just skip it and tell me something else. But I'm wondering, on two fronts, if you can talk a little bit about the relationship between Obama and Aung San Suu Kyi and what you think his interest is in terms of legacy-building in Burma, and what's the U.S. interest in the more immediate range? And then my second question is is, in fact, this is the first U.S. sitting presidential visit to Cambodia also,

and other than EAS, why is that important in terms of, I don't know, Vietnam War legacy or something like that? What does it mean?

MR. GREEN: Well, yeah, I'm obviously not a fly on the wall for his meetings with Daw Aung San Suu Kyi. We met her for a really very interesting discussion. I mean, she's a very strategic thinker, very scholarly in a way, but also a very astute politician.

And she's got a tough balancing act. She has to work with not only Thein Sein but the head of – the chairman of the parliament and others in the military to see if she can get a larger role and the democracy movement can get a larger role in government. On the constitutional basis alone, she can't challenge them. She can't get enough votes, under almost any circumstance, to get the military out of parliament and have a real functioning democratic system. She has to, to get the NLD, to get herself or others into parliament – into Cabinet and into an actual power-sharing relationship, there has to be an accommodation with the generals. So she has to, at the same time, champion democracy but convince the generals that she's not going to throw them all in jail, that there won't be retribution, that there will be – there won't – there will be stability in the country.

So she can't do what she once did and be the external source of pressure on them. She has to build confidence with them, and yet at the same time, she has to, you know, speak for the ethnic minorities, speak for the democracy movement, speak for civil society and make it very clear that this glass is only half-full or half-empty, that a lot has to be done. So she's playing that quite skillfully.

My own personal sense is the administration has been leaning forward or has been taking steps forward and then talking to her and talking through it, and she's realized that in a close call, she's better to say, let's go with the administration's stance. She opposed lifting the embargo on investment in Myanmar Oil and Gas Enterprise because it was the source for the nontransparent flow of cash that built Naypyidaw this showcase capital with – that – where all the construction and concrete concessions went to the cronies. And she publicly said, you don't want to lift the embargo on Myanmar Oil and Gas Enterprise. The administration did it. And then she said, well, it's not that big a deal. She kind of adjusted.

So she can't have a split with the U.S. because we're a major source of her leverage. So she's in a very delicate balancing act. I think she's – my sense is she's been comfortable with the president going. I personally doubt she proposed it, but I think she's comfortable with it, under certain conditions, and he'll listen to her on those conditions.

You know, the president also has to take some care because she's an icon and has very strong friendships in the Congress with Mitch McConnell, John McCain, Dianne Feinstein and others. So it's a delicate pierrot – it's a delicate dance, kind of, that they have to play.

The other question was about Cambodia, but I went through a bit of this earlier, but yes, it is historic. Cambodia came out of the killing fields, had a peace agreement in the early '90s, moved towards democracy, but by almost anyone's measure now they're moving backwards under Hun Sen. He occasionally will release political prisoners when he's asked, but he – on – the overall pattern in recent years has been to repress civil society, democratic opposition. He

very cynically, you know, was on good behavior when the ASEAN regional forum happened in Cambodia in the summer and Clinton was there, and then about a month later arrested one of the most prominent, you know, critics of the government.

So you know, the pattern would suggest that, you know, the president will go, he'll be on good behavior and then sometime in January or February he'll round up another group. So how the president plays that is going to be pretty tricky. I mentioned that the – we are the largest trading partner to Cambodia. We have – Cambodia's not going to roll over and become a Chinese proxy, but on repeated occasions Beijing has demonstrated real – the ability to basically get Cambodia to do its bidding on foreign policy within ASEAN. So – and that's a complicated trip for the president.

MR. SCHWARTZ: Great. We're going to go to Geoff Dyer.

Q: Geoff Dyer for Financial Times. Thank you. To get back to the Senkakus for a second time, Chris, you mentioned there was a sort of what you thought was a long-term strategy developing of – (inaudible) – vessels to constantly challenge Chinese authority. Where does this leave the U.S.? I mean, Mike talked about this emerging gray zone coercion becoming part of the alliance, but does that just mean private communications, or what needs to happen before the U.S. starts to think about doing something else, being involved in an (inner ?), a more deeper way in this conflict?

And then more broadly in the South China Sea, Secretary Clinton (intervened ?) a couple of years ago in the Hanoi summit. Essentially it was – it was an effort to push back against a certain type of Chinese behavior. And then things calmed down for a year or so, but then we had this kind of show last year and things got a little – (inaudible). How does the U.S. react if China is just kind of quietly changing the facts on the ground in one sort of low-level skirmish at the time? Where does that leave the U.S., and what – how does it respond to that type of strategy?

MR. JOHNSON: I think primarily in terms of, you know, how the U.S. is going to manage the Senkaku issue, I think we're doing several good things already. The first was sending – dispatching, you know, this team of former senior officials to go to both Beijing and Tokyo to have these discussions and to remind both sides of the need for calm. But you know, this is one the challenges, right? With the Article 5 constraint, there's not a whole lot the U.S. can do, really, beyond, you know, encourage both sides to – you know, to calm the situation. I think what Mike referred to is right, that, you know, there is – I mean, we saw this in the Scarborough Shoal episode clear economic coercion by China with the ban on banana importation and a few other things, I think, which basically caused the Philippines to cave, you know, almost instantaneously. And again, we saw the earlier incidents in 2010 with the rare earth importation ban for Japan. So there's a pattern emerging, I think. In a way, Beijing has responded to a few of these things, and I think the U.S. has been trying to send a signal.

I think more fundamentally, the way that we take it going forward is through quiet discussions with both parties, but primarily with China, to suggest that in the absence of some kind of signaling – not just from them; I mean, frankly, this is – this is – Tokyo has to do some work here, too, to decrease the operational tempo problem, and I think that's a fundamentally positive role we can play, is to encourage both sides to decrease, you know, the operational tempo. And it doesn't have to be through a formal agreement. This can be mediated by us, or it

can be, you know, talks on both sides that loop around each other, but something that gets that, you know, immediate danger of accidental conflict down.

Then more fundamentally, though, if this is some kind of new policy of – on the part of Beijing, I think there is always the option for the U.S. to be able to signal China, OK, you know, if you want to see these things go on, how about, you know, the Japanese redefine their constitution? How about there be aircraft carrier patrols? I mean, you know, there are steps the U.S. can take to step up its support for the allies and clear ways, you know, that presumably Beijing would see as not in their interest. So I think we're in a unique position right now where all sides are kind of watching each other because we've been in this transition processes and so on. And we're going to see some – I'd say there's a period over the next couple, three months to start seeing some signals that move in a direction toward de-escalation. If you don't see those, I think you could see, you know, other stuff's being taken to show off the alliance.

(Inaudible) – Mike?

MR. GREEN: I – Chris may want to comment on this, but I think this – if you step back and look at this not just in the Senkaku Islands but as part of a larger strategic problem that involves the whole – what we call or the Japanese call the first island chain, which is Japan, Okinawa, Taiwan, Senkaku, Philippines, and the second island chain, which is Japan, Guam and down to the Solomons, Chinese side calls this the near sea, and I think this is part of a larger geostrategic, almost epic struggle for who will dominate or who will control these strategic waters, which China views as historically an extension of their coastline of what they call the near sea, and Japan and we and others view it historically as, in a way, the critical first line of defense in the Pacific. It goes back to the 1995-(19)96 Taiwan Straits crisis, when the U.S., with impunity, sent two carrier battle groups cruising around this whole region, to show we could, and the PLA spent the next decade making sure we couldn't do it again without considerable risk in what, from China's perspective, is a counter-intervention strategy – make it too costly for us to intervene in any of these issues, whether it's Taiwan, Senkaku, South China Sea. I think the Chinese have another strategic objective, which is counter-containment. They don't want the maritime countries aligning with the U.S. I think their view is, the only country that could stop China's rise is the U.S., and the only way we can do it is by mobilizing a coalition.

What's fascinating to me – and Chris may want to comment if we have a minute – is that in Beijing, they don't make the connection between their pursuit of a counter-intervention strategy which aggressively is pursuing not only territorial things but upping the operational tempo all along this maritime zone, they don't see the connection between that and the pivot, or the fact that so many countries in the – in the region are moving towards the very counter-containment strategies Beijing doesn't want. There's a kind of cognitive dissonance.

And it applies to China – to Japan as well. I mean, what I consistently hear – I'm sure Chris does too – is on the one hand the coercion against Japan in the last Senkaku crisis and this one worked. They used – they cut off rare earth metal exports. They used various mercantile tools, arrested Japanese businessmen, surged more forces, Japan backed down. So they think that worked and that time is on their side, and then will work again.

On the other hand, they see no connection between that and what's happening in Japan. They – I think the Chinese view Japan as a rightist nation that's moving towards the right. So

you have the – right now, the Chinese strategy is to not back down on these operations. Their – they think they've – going to have more ships and more money over time. And now they've pursued this strategic communications or propaganda strategy to delegitimize Japan. So you may have seen in a minor local paper in the U.K. called the Financial Times that the Chinese ambassador published a piece, you know, accusing Japan of basically being a fascist nation, and they've done that in Australia and other countries. It's an orchestrated campaign to delegitimize Japan. So they're trying to cut Japan off in propaganda terms, which I think will completely backfire.

And they're using this surge of ships. What do we do? I think we – I think you will see a couple of things. One is the Japanese side wants to review the defense guidelines. Morimoto has said that. There will be some quite high-profile adjustments to Japanese defense policy and U.S.-Japan defense cooperation. Right now they're being proposed by the Japanese side. I think the Obama administration will pick them up.

Second, I think you'll see more exercises related to islands, amphibious exercises in Guam, in Tinian and things like that. And you know, there will be some in the administration who say, well, that's going to upset China, but I think the prevailing view will be, look, we've got to show we have Japan's back. And frankly, it's better that we're working these problems through with Japan rather than leaving Japan on its own to figure out what it's going to do to defend what it sees as its territorial islands. So I – this is not going away. I think this is going to be a feature of the next four years.

Xi Jinping is a maritime thinker. He was a party boss, I guess, in Fujian. He is well – he's close to the PLA. He knows these issues in a way Hu Jintao, I think, probably did not. And Abe, who will be prime minister of Japan, is very much a kind of neo-Mahanian kind of maritime strategic thinker. So this is going to be like a chess game that'll be very, very fascinating to watch.

But what both Xi Jinping and Abe understand well is they have economic interdependence and that collision actually is not at all in their interests. And so there is room in there for us, remembering we're an ally of Japan, to maybe explore ways to build confidence and calm it down. But the underlying sort of geostrategic grinding of gears, that's a decade-long feature at least, I think.

MR. SCHWARTZ: Great. I think we have time for one more –

MR. : Feel free to –

MR. SCHWARTZ: Back over here.

Q: I think it was – you mentioned the fiscal cliff might be something parked on the sidelines. I was just wondering if you could talk a little bit more about what the tenor of those conversations would be.

MR. GREEN: So there are – you know, a lot of leaders in the region have made their bet on the U.S. We did a study about a year ago which I think is still relevant about how various

countries in the world assess U.S. power, and it's up on the website. I don't know if you remember the title –

MR. : Absolutely. It was something about assessing U.S. power. (Laughter.)

MR. GREEN: Yeah. Google "CSIS assessing U.S. power." (Laughter.) We did it for the National Intelligence Council and then, you know, we were allowed to publish it. And we found – and I think this is still true – that a lot of leaders in Asia have made their own bet on the U.S., you know, pulling this out. You know, if you're the Japanese prime minister or the Australian prime minister, the Korean president, you – if you start concluding the U.S. isn't going to pull out of this and recover, then you open up a whole lot of debates inside your country that haven't really happened for 50 years. (Chuckles, laughter.)

So there's a – there's a – there's a self-preservation or a – there's a bias, maybe, in the assessment, but most leaders have bet in the U.S. And I think that's even true for Xi Jinping, that the – that he can't let a debate open in China that we're done, because there will be so much pressure on him to challenge us. And I think the elite in China, the leadership, knows Deng Xiaoping was right, at least is still right: it's not time to challenge.

So this will not be, I suspect, part of any press briefings or public discourse by any of the leaders in the region, you know, except – with the exception of maybe a Hun Sen or somebody. He's a little unpredictable. (Laughter.) But for the media in the region I bet you see a lot of stories, or for parliamentarians in the opposition I bet you see a lot of stories about, you know, how much mojo does the U.S. have.

It helps enormously that President Obama is going after having been re-elected, because that will suggest a certain political continuity and an ability for him to start tackling these things. So that's what I would expect, not in the – and then, of course, in the private meetings, I suspect some leaders will ask, or the president may even –

MR. : I think take the initiative.

MR. : Yeah, agree.

MR. GREEN: Take the initiative –

MR. : Offer –

MR. : Yeah, I think –

MR. GREEN: – to say, I got this under control.

MR. : (Off mic.)

MR. GREEN: And then they'll tell their governments he's got it under control. (Chuckles, laughter.) And then we'll see.

MR. JOHNSON: Let me just add two quick amplification points to Jeff's question for Mike's very good analysis of the situation. I think, you know, with the Scarborough episode and then, frankly, what we're seeing with the Senkaku situation now, I do have serious concerns that China is drawing the wrong lessons from those, you know, incidents, especially Scarborough.

Basically the approach was, be tough, and we won, you know? And so the lessons that they're drawing about that, about moving the goal post, new facts on the ground, you know, these are – these are worrisome, I think, in terms of what they mean for potential conflict downrange. But I also think that it's abundantly clear to me that the top leadership is very sensitive to all of this, understands it and seeks to – you know, to manage it carefully.

The fundamental question, I think, is there's two – you know, several major developments, but the – one of the primary ones is the way in which when Hu Jintao revised, basically, China's national security strategy in 2004 and created the so-called new historic missions, one of the key ones was this idea of protecting Chinese interests abroad and also kind of making the world, you know, safe for peace kind of idea.

And what this has done, of course, was create a huge mandate for the Chinese navy to massively increase its building, you know, and construction. And there's – that's become an element unto itself within the Chinese system. And, you know, there really is an emerging defense industrial complex, to quote President Eisenhower, within China after, you know, a decade of double-digit budget increases. And every year they seem to be increasingly building – (inaudible) – whose needs are questionable at best. So what are they going to do with all this stuff and so on? So this is another one of these fundamental debates internally that I think the Chinese need to grapple with.

The other one is just – you know, China has what they perceive to be a legitimate desire for some strategic depth. The problem is, as Mike alluded to, that the area in which they view that strategic depth is precisely where the U.S. and its allies want or need to operate, you know. And so handling that deconfliction between those two worldviews is going to be the fundamental challenge for the next 10 years anyway.

MR. SCHWARTZ: Great. With that, I want to thank my colleagues for this. Where else can you get bagels in the morning and hear three movie references? (Laughter.) We had "Casablanca," we had "Monty Python" – (laughter) – and we had "Wizard of Oz." (Laughter.)

MR. : (Inaudible.)

(Off-mic exchange.)

MR. SCHWARTZ: – terrific briefing. This will be up on our Web later today. We'll also be mailing it out to those of you who are here. And please let us know how we can be helpful on this story in the next weeks to come.

I should also say, on the fiscal cliff, you should check out our website. Our chairmen, Sam Nunn and Pete Domenici, worked closely with CSIS and our partner organizations over the last couple of months on a project called "Strengthening of America," which addresses many of the issues surrounding the fiscal cliff, including national security.

Thanks again for being here.

(END)