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China

David Ignatius: --We need a fourth chair and I was told, "No, we don't. You get to stand here." So let me introduce myself. I'm David Ignatius. I am a columnist for the Washington Post, and I'm going to moderate this discussion with our distinguished panelists. You know who they are, but let me briefly say starting on my left Bob Hormats, who was Under Secretary of State for Economic Affairs, everything Economic. The Chinese Vice Minister of Foreign Affairs, Madame Fu Ying, excuse me, and the Swedish Foreign Minister, Carl Bildt--Carl Bildt, Former Prime Minister of Sweden.

So I want to start our discussion. We're going to try to talk for 30 minutes amongst ourselves and then throw it open to all of you. But I want to open by just describing the scene at the state dinner during the state visit to the U.S. of Chinese President Hu Jintao.

I was lucky enough to attend the state dinner, and I remember thinking at the end of that evening that all of talk about our subject tonight, is strategic competition inevitable, might be missing the point that if both sides really work hard, the degree of cooperation is possible. That was an evening that ended with smiles on all sides and a sense that competition increasing collision was not inevitable.

So I want to begin the conversation by asking whether that moment of the Hu Jintao state visit, the agreements that were made, the sense that the relationship between the U.S. and China, and really China and the world was not heading down. Whether that was a sign of real change, continuing change or it was just an interruption in what is inevitably a world of ever greater competition. And perhaps I could ask the Chinese Deputy Foreign Minister to begin.

The Honorable Fu Ying: First, let me thank you for introducing me to this forum. And I was told this is the forum of the best and brightest across the

Atlantic. And I'm not sure if I belong to that group, but I try my best. This is quite late hour and it's four o'clock in the morning in Beijing, so if I don't follow the discussions you know why.

About the visit of President Hu Jintao, it was perceived as a very successful visit in China. It was--the statement came out covering wide spheres of cooperation. The most important point I think, the message the president--the two presidents sent to the world is that China/U.S. have agreed that we stand to win working together and we stand to lose fighting against each other. So the message was that China/U.S. should be in cooperation.

There was a very wide agreement on partnership in many fields. At the same time there was a clear understanding that we have differences, we need to talk about the differences instead of allowing the differences to block the progress of the relationship. So we see there positively the visits.

David Ignatius: Bob Hormats, what was your feeling

at the end of that state visit? The U.S. had a big agenda of issues. You got some of the things you wanted. I think there was a feeling among many analysts that China wanted the visit to succeed, and so in a sense we had an artificial period in which everything seemed to go right because everybody wanted the visit to work, and then are we now back to normal and is that, as our question sheet suggests, the new normal which is of greater competition, greater difficulty and more problems?

The Honorable Bob Hormats: Well, I think several points are worth mentioning. One, the state visit itself, I think was a significant success. I had the opportunity to attend that and there was a smaller dinner the night before where the President and President Hu Jintao had a more intimate conversation about these issues. And I think the state visit really crystallized a critical point which Madame Fu Ying has indicated very well. And that is that these two countries now have come to the conclusion that while

there is going to be inevitably strategic competition in some areas, as the title of this panel indicates, there also is going to be, and indeed has to be, a great deal of strategic cooperation.

And I think the view, at least the view that I have and I think is shared widely in the administration, is that there are very few things that we can do, that we can accomplish globally or that China can accomplish globally without mutual cooperation between the two countries. That is not to say that there is a G2. Both sides reject the notion of a G2 because other countries need to be involved in trade or financial issues or environmental issues or other issues. But more and more issues that have to be dealt with globally require some measure of cooperation between China and the United States: the Korean Peninsula, environmental issues dealing with piracy off the coast of East Africa. A whole range of issues require these two countries to work together.

And in the United States there are schools of

thought that say, “well, the United States should do everything it can to keep China down.” And there are people in China who think that that's the goal of the United States. In fact, the goal of the United States really is to welcome China's greater role in the global system, but also to find on a strategic basis ways in which we can work to China--work with China as a partner. And that is develop rules of the system that in many cases already exist where China can be integrated into the system in a way that enables it not to work against the system but support the global trading system.

If we hadn't had cooperation with China on financial issues during the financial crisis it would have been much more difficult to deal with the financial crisis. So increasingly, our goal as America has to be to find ways of ensuring (A) that China's integrated smoothly into the global system and (B) that China, given its power--its financial power, its commercial power, its strategic power, becomes a

country that supports the stability and the effective functioning in a global system. And I think that China is in the process of doing that, but it's not going to come easily. It requires a lot of negotiations, a lot of cooperation and a long dialogue.

David Ignatius: Carl Bildt, let me ask you to speak to these issues from a European perspective. Bob just mentioned the G2 issue and I'm sure that's really the G2 fear for Europe that the U.S. and China are either going to be confronting each other or cooperating, but that Europe in some ways will be left out. There was talk over the last year about Chinese help for Europe during Europe's financial crisis, Chinese willingness to make money available, Chinese interest helping Europe to solve that, but tell us how Europe looks at this rising China and the opportunities and dangers for Europe.

The Honorable Carl Bildt: Yes. I was obviously not that state dinner for President Hu Jintao when he was in Washington, but I happened to be in Washington in

the days immediately before and I was impressed by the way in which the U.S., prior to that visit, set out its position to a certain extent in rather stark terms indicating this is what we think, this is what we believe. To use Chinese wording, American co-interest, in relationship. But then there was the very, very firm wish to make the visit a success because according to strategic rivalry, according to strategic competition its strategic change that is caused by the rise of China in different ways and that needs to be managed. And there the management exercise between the United States and China is soft key importance also from the European point of view.

I don't think we fear any G2 for the reason that Bob Hormats mentioned. It's simply not possible. There are issues, of course, in East Asia where U.S. is a security act in a way that Europe is not. But there are other actors where--other issues where Europe is more of an actor in, say, the climate issues and others. So the G2, I don't think we fear that.

What we see is, of course, the impact of China on virtually every global issue and accordingly the need to engage with China, and accordingly the need to manage the global strategic change that is coming with the rise not only of China, although China is the most obvious, but the rise of nations that 20 or 30--40 years ago hardly, well they were on the map but they were not on the economic map. They were not on the political map. They're now part of a very different world, and that requires somewhat of a new attitude when it comes to the relationship and diplomacy. And that's why sort of the management of the relationship with China, which is a difficult management exercise, is so critical both from the European point of view and the American point of view and I believe the Chinese point of view.

David Ignatius: Carl just mentioned change. Obviously this is a week in which the radical changes that are taking place around the world but in particular the Middle East are on all of our minds. And

I would just like to ask in the context of our subject tonight, as we look at the Middle East we all obviously worry about the security of energy supplies on which China depends, on which Europe depends, on which the U.S. depends. And so there's a question whether a part of the increasing competition that we face with the rising China will be a competition for energy supplies and access to them, or we wonder are there ways in which China, the U.S. and Europe could cooperate in finding ways to bring greater stability to the Middle East in this period of great change? And let me ask each of you to just say a few words about that. Fu Ying, again why don't you start, please?

The Honorable Fu Ying: I think we are all together in this. If the oil price goes up us--China, U.S., everybody will be affected. So I think China is worried like everybody else about what will happen after this and how far this turbulence in the Middle East will go, how soon we can see the stabilization and see the recovery of the oil supply.

So I think--I don't see how we could--what is the point of competition between China and U.S.? I think we share a lot in seeing the stable supply of oil and therefore, seeing earlier stabilization of the situation, seeing a smooth transition of these countries.

David Ignatius: Bob Hormats, a lot of people in the U.S. would say if they heard Fu Ying's comment, if what China wants if greater cooperation on issues like energy security and stability in the Middle East, can't we draw China into greater activism and involvement in that? I wonder if there are specific things that you would say in response that the U.S. would like to see in the area of cooperation of energy security. And in the area of cooperation just in dealing with the enormity of the crisis that's sweeping that region.

The Honorable Bob Hormats: Well, I've actually just returned from several days in Saudi Arabia, in the United Arab Emirates, and I think there is a view from Washington that working with China and, indeed, a wide

range of other countries in Western Europe and elsewhere is important to stabilize the environment. And each country will do what it can do best. I mean, the United States is doing certain things that we've seen in Libya. The United States is preparing, along with Europe and other countries, programs to support economic stability in Egypt.

I think our hope would be that we would be able in this process to work with other countries that have the resources to provide, at least, economic assistance to some of these countries to stabilize their economic outlooks and to create jobs, and that would be farm assistance, it would be other kinds of financial support.

We're at a very early stage in the process and we haven't developed full blown strategies for doing this yet. But certainly the stability of Egypt is important to the United States, it's important to Western Europe and it's important to China because Egypt really isn't the center of much that goes on in the Arab world.

So our hope would be that, either bilaterally or through groups such as the World Bank and the IMF and other institutions, to provide the kind of financial support needed for some of these countries to get through this difficult period, to stabilize their economies, stabilize their political systems and have more participatory democratic systems as a result of this process if, indeed, that's possible, and I think in many countries it is.

So we look at China in many ways as a partner in dealing with development issues and a partner in dealing with issues related to strengthening global stability. We don't see China as an adversary, and particularly in this region. And the reason for that is China is very heavily dependent on imported energy, particularly imported oil, also natural gas. And, therefore, to the degree that we can work with China to help develop, either parallel efforts or common efforts through all our institutions to support economic stability in these regions, that's a big plus.

Having a partner that has the interest that China does in a stable energy environment and has the resources to put into helping to stabilize the economic environment can be a big asset if we find ways of working together as we hope to do with China and many other countries, for that matter.

David Ignatius: Before I come to Carl, Fu Ying, I just want to ask you to respond specifically to one suggestion that Bob Hormats made, which is that as Egypt tries to deal with this transition to a new democracy it's going to face terrible economic problems. I was in Egypt two days ago and this is an economy that really stopped working for six weeks or so. Tourism is off 75 percent, so the economic crisis there is real. It needs help.

Would China be willing to join in some kind of international effort, multilateral effort to provide economic assistance to Egypt, and does that seem like a good idea to you?

The Honorable Fu Ying: China has been having a

fairly big amount of economic interaction with Egypt, and I don't see there's any problem that we don't continue. And for financial and other economic assistance, I can't speak for China but Egypt has been one of the African countries which had long relationship with China.

But for the transition, well, I have some friends in Egypt who talked a lot with me recently. The two countries have a lot in common. We have both long civilizations. We have also lots of emphasis on education, for example. There's lots of similarities. And Egyptians are seeing pouring Chinese tourists coming to Egypt, so they could see that the economy in China is growing.

They asked me is China an option for them. Could the Chinese model work in Egypt? I tend to caution on that. I don't think we can offer a solution for them. They have to find their own way. As you said, the country has great difficulties, but this is a very tenacious people. They're highly educated people. I

think they should be able to find their own way.

I tend to be more optimistic with them as long as society can be stable. If there is chaos for some time then the economy will go further down, I think.

David Ignatius: I want to come back to that question of chaos and democracy and transition in a minute. But, Carl, let me ask you to speak to the question of how China can be a more effective, a stronger partner in dealing with crises like the one that's unfolding in the Middle East. You're a former U.N. Special Envoy to the Balkans. You've dealt with multilateral issues like that. How can that be done better?

The Honorable Carl Bildt: There were two striking effects coming out of--if you take the Libyan crisis now without going too deep into that when it comes to China. The first one was, which is really sensational, that China abstained in the vote on Security Council. I mean, the convention would have been that China would have vetoed something that went so far into what could

have been described as only internal development. You can describe this resolution if you want to as a breakthrough for the possibility or for the principle of responsibility to protect, if you want to. That is the way it's done by the European Council today. And conventional wisdom says China would veto. China did not. China did abstain. That was significant.

Second fact which struck me; we were involved in a massive operation to evacuate E.U. nationals from Libya where the fighting started, for obvious reasons. But there were far more Chinese nationals evacuated than E.U. nationals. There were 30,000 Chinese evacuated from Libya. The Chinese Navy sent units to the Mediterranean to assist this. This was something that we were not really aware of, the magnitude of. So there were 40,000 Chinese in Algeria. I don't know how many E.U. citizens there are there, but probably not 40,000.

So the Chinese involvement in these states very close to Europe and of significant interest to us is perhaps bigger than we were aware of, and according to

the need to engage the dialogue also with China on how we should manage development here is obviously acute.

David Ignatius: I should ask Fu Ying, since Libya has come up, in the last week China made a very sharp criticism of the military intervention in Libya after abstaining, as Carl said, there was this very strong line which that I think caused concern in Europe and the United States. Maybe you could just briefly explain as Vice Foreign Minister China's position and its view on Libya as of right now.

The Honorable Fu Ying: First, I want to mention that we successfully evacuated 36,000 Chinese out of Libya in eight days. We couldn't have achieved that without help from neighboring countries. It was the largest evacuation we've ever done. And it's also a wake-up call to China about the need to protect our citizens and the complicated situation we will be in at time of crisis. I've seen so many Chinese going abroad.

There are over a million Egyptians in Libya. I think Libya has lots of foreign nationals. And you

mentioned Algeria; there are lots of foreign nationals as well. So it shows that this world is really interdependent. People are moving around more freely and, therefore, the Consulate affairs have become more complicated.

But come back to U.N. resolution; we had--it was very difficult--it's very hard for China to agree to a military intervention in any situation in international affairs. We cannot accept--we don't think it works. We haven't seen very successful military intervention in the past, so we don't want to support this kind of action. We don't want to be part of it, but we stayed away from blocking it because--mainly because the Arab League and African Union, those countries have strong feeling about it. And China has never vetoed against interest of developing countries. So that was why then, with lots of difficult discussions we decided to stay away, to abstain.

David Ignatius: Bob Hormats, I'm sure at the State Department, the Chinese statement this week sharply

critical of a U.N. endorsed military operation caused a lot of concern. Maybe you could just speak to where the State Department is and what the concerns were after the Chinese statement.

The Honorable Bob Hormats: Well, I've got to let the Chinese statement speak for itself and not try to characterize it. But let me just say that our view in the way this was put together initially in the U.N. was to have a lot of consultations with a lot of countries on the Security Council, but also countries not on the Security Council. And we were, I think, gratified by the fact that some countries who might have otherwise voted no, abstained which helped us to do what the Arab League and the African Union both thought was needed to provide the wording that was in the resolution, which is now being implemented.

But I think this is a broader point and that is that one of the reasons that China is important, and I want to extend this beyond what's happening in North Africa, is to say that increasingly China, which

initially was focused primarily on East Asia, is now a country that has a much broader global view of its strategic interests and is playing a role not just as a permanent member of the Security Council, which is very important, but China has a global role which 10-15 years ago it didn't have and wouldn't have anticipated having.

But the fact is we need to work with China in a wide range of areas, in the Security Council and in many other areas as well. So without commenting on what China's current position is and what its current statements are, I think one of the things that's very important for the United States is to keep working with China on global strategic issues.

Obviously, we work with China very closely on the issue of North Korea. We consulted closely with China on this U.N. resolution and events taking place in the Arab world. But China, which years ago was really relatively focused on its environment and East Asia, its neighborhood in East Asia, is now a major global

strategic as well as an economic power. And, therefore, it's important for the United States to work with China on North Africa and many other issues.

And that really is--we think of it and we take it for granted, but you couldn't have taken it for granted 15 years ago. China's role is a global role now and we have to work with it as a global power.

David Ignatius: I want to come to the audience in just a few more minutes, but I'd like to come back to the issue that I briefly touched on. And that is in a world that's changing in which Zbigniew Brzezinski said in a book that I was part of, there's a global political awakening taking place that is encouraged and fostered by the internet and new communications.

There are obviously difficult questions for China and for China and its relationships with other countries as this process unfolds. And I'd like to just ask first the question that was raised by Google last week when Google protested what it said was Chinese interference with the free exchange of email through

its system. China issued a statement saying that that wasn't so, denying that there had been such intervention.

But let me ask about the broader question. This is a world of open communications as we all see every day and yet there are limits that China tries to impose in the name of security on what you can search for, what you can get out of this technology. Fu Ying, if you could just explain to us how China thinks about these questions of openness and stability at home in this new world.

The Honorable Fu Ying: I've not followed the issue you've raised, but I use Gmail and my daughter and my husband, we've been--it's on my mobile and we send email to each other every day. I don't see there's any difficulties. But there are laws and rules and the internet activities need to be within the laws like in any other country.

And for the internet, China has 460 million internet users, 200 million bloggers. So it can't be a

bad experience. My daughter spends hours on the internet every day. I worry for her eyes. I think the internet is really a very important part of Chinese life. It's a very active society of its own. I think you are implying to a broader issue of China's relationship with the West. I think there are--there has long been a difficult issue that is from the Chinese point of view; are we out of the Cold War or not?

Occasionally, China can often hear the kind of analogy with the Cold War partners of the West. I don't there is sufficient understanding outside China about the growth, about the changes, about the dynamic development in China. And on the other hand I think China, too, needs to understand the Western world well. China needs to feel more comfortable, and I think feel more comfortable with the dialogue with the West. Both sides need to work to convince each other that we're meant for partnership. Not for regime change. Not for imposing. Not for lecturing of each other. So I think

that is something I hope the next decade will see happening.

President Hu Jintao said when he was in France last year, he said, "We hope the 21st century will be a century of cooperation." And I think it's a very ambitious hope for the world because the world has not yet seen a century of cooperation. And to achieve that we need partnership. And China probably is, for the first time, having an influence over the direction of the world. And China wants to be on the positive side. China wants to be on the cooperation partnership side.

So I think it's a learning process for China and it is also a learning process for the West, accept a newcomer who might be different.

David Ignatius: I want to make sure that I understand what you were saying because it's important. When you say that China feels sometimes that there's a Cold War framework, are you saying that you see in the West's response to this rising China that kind of an attempt to limit and contain?

The Honorable Fu Ying: I think there is a constant development that can be perceived in China as Cold War legacies; treating China as aliens, seeing China as different. The messages I think China receives sometimes conflict with each other. I need to give you some examples, I think, to clarify myself.

For example, we talked about European countries needing China's help at time of difficulties, and China responded positively. And at the same time there were lots of expressions of concern about China having ulterior motives on Europe. So for China it's a confusing message. Should China help or shouldn't China? Should China stay away?

There's a worldwide acceptance that China has made economic progress. There's no question on that. But there is constant questioning about whether China is correct politically, whether China has made progress politically. As if the economic progress that came is hanging in the air without the support of the political system in China. So that's what I meant. I think there

needs to be more understanding of each other and then the barriers will come down.

David Ignatius: Carl Bildt, I'd be interested in your views about these questions of openness and political change and whether that wave is going to hit China and how the rest of the world should look at that issue, that process.

The Honorable Carl Bildt: I think it's fairly obvious that we're living in an interconnected world and what happens in one part of the world affects every other part of the world in one way or another. I mean, it's not 100 percent duplicated but it's influenced. No question about that.

But let me first say that I think we should be open. There are sort of behaviors of China in, say, cyberspace that we are very concerned with. Be that the Chinese entities of the one way or the other that haven't really accepted the rules of the games that have to be there in order to be part of this interconnected world that we have. And that must be the

subject of the former intense dialogue that we've had so far.

On the political system, that's always an interesting subject from the academic point of view. There's no question that China today is a far more open society than, say, go back to the horrendous past 40 years ago. No question about that. But there is also a question mark whether the state relatively closed political system will be able to manage tremendous change that is ongoing in Chinese society.

I noticed that Premier Wen Jiabao in recent statements sort of started to indicate that after economic change, fast political change would follow. And that is, of course, the case. I mean, there is no nation in the world that has developed as fast in economic terms without developing its political system in the direction of greater openness. It has, to some great extent, already happened in China. I'm quite convinced that more will happen. And I do think that this is also an issue where we should be able to have

an open dialogue and sort of learn from the experiences.

We are--Sweden is a very unique place. Not quite as unique as China perhaps, but we're all different but there are all, also, as we've learned, there are things that are in common and there are lessons that can be learned, and there should be an open discussion about these things as well.

David Ignatius: Bob Hormats, I think people around the world may have scratched their heads not just in the last week but over the last couple of years wondering why Google, a private company is fighting what it sees as a battle for openness as opposed to the U.S. government doing that directly. Why should Google be on the front lines instead of Bob Hormats?

The Honorable Bob Hormats: Well, let me just talk the more generic point that you've raised, and that is leaving aside Google's specific issues that it has raised on several occasions. There's a broader issue here and Carl, I think, has put his finger on it, and I

think if you look at where China is today it is very open in a wide range of areas. It's certainly much more open to foreign investment than 10 or 15 years ago. It's a major trading economy. It's becoming more integrated in the global financial system. It's playing a more constructive role on a number of environment issues as we saw in Cancun.

But where the Chinese do have difficulty is opening up in the area of cyberspace that Carl has mentioned. I think there is still a concern on the part of some Chinese leaders about how far to go in extending the freedom of the internet to the robust exchange of information and ideas within China and across borders.

I believe over a period of time that is likely to change, but there is still that reluctance to open up China as many other countries are to the open flow of ideas. The difficulty China is going to have in that area is it's very difficult to restrict access on the internet to political ideas or social ideas and still have the open access you need for the flow of economic

information or other kinds of information that are required to run a modern 21st century economy.

There's one internet, and once you start restricting parts of that internet you also can inadvertently affect or restrict other parts of the internet which are critical to your economic strength in a globalized economy, which are critical to the exchange of information, which are critical to research cooperation across borders.

And I think China is adjusting to this. I don't think we can expect that China's going to change overnight, but there's a much greater sense of sophistication today in China about the need for a more open flow of trans-border information than there was maybe five years ago. But there's still a lot of apprehension in China about information flows. And that, I believe, it's an issue that the United States has raised with China, leaving aside the Google issue.

The United States has raised internet freedom with the Chinese on many occasions in a constructive way,

not in a confrontational way, but a constructive way and we will continue to do that. And I also think that, even more important than what the United States says, is that more and more Chinese have come to the conclusion that they want to be a robust part of the global economy when it comes to knowledge intensive industries, when it comes to trans-border collaboration for research and development, that they are going to be pressing their government for greater access to the flow of information.

And I think that is what's really going to change China, not us doing it but Chinese themselves understanding the powerful role of the internet, the powerful role of information and the importance of governments avoiding restrictions on that flow of information. That's the change that I believe is underway in China. Premier Wen mentioned this in his so-called--what they call work plan that's released every five years, and I think there will be a broader information flow. Won't be what we want necessarily,

but it will be much more active over the next five years than the last.

David Ignatius: My takeaway fact, from our discussion so far, is that Fu Ying uses Gmail. So, you know, I'm assuming that she's going to be on the front lines of this herself. Yes?

The Honorable Fu Ying: I have to volunteer to comment about the assumption that there is a problem of access of information in China. I don't know how much the Americans read about China. The Chinese read a lot more about the U.S. comparatively speaking. I've been in Australia. I've been in London and I've found there are not many books about China in these countries book shops, but in China you see lots and lots of origin books from these countries, a lot of books about these countries. On the internet there is plenty of information about you.

Chinese are not denied of information of the world, and 60 million Chinese visited abroad last year. A hundred million foreigners visited China. Three hundred

thousand Taiwanese have a small town in Shanghai.

This is an open society, open country. The assumption that China is blocking the Chinese people of the world is not true. I think the deficit--if we talk about the information deficit, it's on your side. You need to know more. You need to read more about China.

Speaker: Certainly true.

The Honorable Bob Hormats: When you say, the Chinese know a lot more about what's going on in the United States than the Americans know about what's going on in China, I very much agree with that. And I think we should know a lot more about what's going on in China. I take this point entirely.

I do think, however, that there are areas where the government of China does impose certain restrictions to the flow of information on certain items. And I think that is something that is China's decision. It does this. It does this for its own reasons, and we have commented on this on several occasions. Not just Google issues but broader issues.

There are different subjects. There are different topics, but if you ask me should Americans know more about what's going on in China than they do, and the very powerful changes that are taking place in China, many of which are for the better, then I would say, "Yes, we should know a lot more about that." I would certainly agree with that point.

David Ignatius: Let me turn to Carl for a last comment on this. I think the issue that people raise isn't whether the Chinese have access to information about the U.S. or Sweden, but whether they have access to information about their own country. I mean, I think that's when people talk about limits on information. That's more the question. Carl, you had--

The Honorable Carl Bildt: Well, I was going to make roughly that point as a matter-of-fact. Of course, it is a fact that there are more books about China in Sweden than there are books about Sweden in China. But that's rather an irrelevant point. That had to be said.

But the question is, and we all know the Chinese

government does restrict access to information. I think it's also a fair point to say that it's less than it was 30-40 years ago. So evolution is hopefully going in the right direction. And the thing, and we've seen it in other similar examples, I mean, we all know that there are subjects concerning all sorts of fairly modern Chinese history. You can go to dinner in Beijing or Shanghai and you can discuss virtually every issue in the world. I don't dispute that. But there are certain issues also concerning fairly modern Chinese history that are virtually impossible to touch upon.

And we know from experiences from other countries that until a country can deal with every aspect of its own modern history it is not truly comfortable in facing the future.

David Ignatius: Fu Ying, do you want to--

The Honorable Carl Bildt: And that we must all help with, I mean, that's--

David Ignatius: Do you want to respond--

The Honorable Fu Ying: We should leave to the

Chinese to decide.

The Honorable Carl Bildt: Yes, absolutely, but it's--

The Honorable Fu Ying: I think China has this unique culture, its way of looking at things. I could share with you a part of my own experience. My father was in confinement during a cultural revolution and he suffered a lot. He came out and he refused to tell us who hurt him. He said, “I don’t want you to live in hatred in the rest of your life.” And he said, “We should come out of that and you should--you should remember that this country should never be in this kind of a mistake again. We should move on.”

So I think we have an attitude. China has gone through a lot in its history, long field of history and a semi-colonization, disturbances, civil war, invasion and mistakes like culture revolution. And this country learns from its only mistakes and has a way of looking at things.

We don’t want to dig the graves. We--we want to

move forward. We want to learn lessons. And we've learned lessons. And finally, I think, for this country after such a long period of difficulties finally we are happy with ourselves. We have food on the table and we've made a big cake. Maybe it's cake made of corns, unlike the cake in Japan's made of cream. But at least we have a cake and now our--our next job is to--to make sure that the cake is--is fairly shared by the people.

That's why the new 12th--year 12th five-year program is shifting from focusing on GDP growth to the quality of the growth and to the welfare of the people. So I think the country is feeling more and more comfortable with its growth and--and we don't want to let go this opportunity.

The Honorable Robert Hormats: I think the 12th five-year plan is really a very important thing to read because China is moving in the right direction.

You know, this goes back to one of the earlier points you made. China is moving in the right direction on a lot of issues. No country has improved the living

standards of more people in a shorter period of time in history, in world history, than China has. So I'm not convinced that the points that we have made about restrictions on the access of information are permanent fixtures.

I think China is evolving. China's much more global than it was five years ago and it'll be much more global five years from now than it is today. And I do think that they're--and I do think that if you look at the village level participatory governance is growing at a fairly rapid rate. So China, the one thing about China that is so compelling when you go there, I've been going there since the early '70s when I worked for Dr. Kissinger, is--and we started opening is China does learn and China does evolve in ways where they--if they make mistakes they learn from mistakes and they improve.

And I do think that anything--and that we--the other point is we shouldn't look at our relations with China as a zero sum game. What benefits China in many

ways in terms of economic growth can also be very beneficial to us and vice versa.

So maintaining a dialogue even where we have differences, and we do have differences with China on important issues, that we mentioned very candidly, where there are differences there are also procedures and institutional arrangements for resolving those or at least managing them in an effective way.

And I think that is what is so important about this relationship, that where there are these differences there's also a process for either managing them effectively or in some cases resolving them or in some cases simply recognizing that we can't resolve them, but that over a period of time we should at least maintain a constructive dialogue. That in itself is very important for addressing the rising influence of China.

Mr. David Ignatius: It's a good point to turn to the audience for questions. Keep them short. If you have a specific person you want to ask the question to,

please, direct it and identify yourself. Yes, Charles.

Charles Grant: Charles Grant from the Center for European Reform in London. A question mainly for Fu Ying: we hadn't really talked about Asian security at all but if one goes to India or Vietnam or Singapore or Japan, every time one goes there people there are more worried than they were on the previous visit about the rise of China, China's greater assertiveness in pursuing its interest in various island disputes in the East China Sea and South China Sea. They're worried about China having declared, or some Chinese people having declared the South China Sea to be a core national interest. So the paradox, as I see it, is that just when these countries are becoming economically more integrated with China than ever before, in security terms they're worried and they're asking the U.S. to work with them and they're getting closer to the U.S. So my question is: is it really in China's interest to be assertive in such a way that you are pushing some of your neighbors into a quasi embryonic

security alliance with the U.S.?

Mr. David Ignatius: Fu Ying, why don't you respond to directly to that? Sorry. Didn't mean to put you on the spot.

The Honorable Fu Ying: Thank you. In China when I make speech I often ask the audience, "So who thinks that China is the number two power in the world?" And on most occasions there's no single hand up. The Chinese don't see themselves as a power in the world. We see ourselves a developing country where our per capita GDP is ranking about 100 in the world. So we are still at the state of evolution, in the middle of a reform, trying to address the issues which is more challenging as we grow.

With our neighbors, India, we have the border issue but we have agreed to shelve it, this is probably the most peace--it has become most peaceful border because we have set up a system to make sure that tranquility prevails. And India is a very important partner. Soon they will come to the BRICS Summit in Beijing, the head

of government of India, so we don't see why we can't work with our neighbors.

Vietnam and Indonesia, I think we've made miles since the '90s. I remember the tension in the '90s, we have to work with Vietnam about Cambodia, work with Indonesia about resuming the diplomatic relations. And since then we have become very close partners.

I think Asia has one of the closest cooperation among the countries. But for the South China Sea there was tension in the '90s and I worked a lot on it when I was head of the Asian Department. But the suggestion from Deng Xiaoping is more or less accepted by the countries around, that is to shelve the dispute and to see if we could enter into a cooperation. We tried very hard which is not easy but at least there was agreement that the disputes should be shelved. And we don't see there is a serious problem in the field. Maybe there are a a bit more discussions of concern in the meetings--in the meeting rooms, not in the South China Sea itself.

For core interest dispute people try to find out who said that, where it came from, it shows that China does not see South China Sea is in serious--a real dispute. Now, there is a dispute, obviously, but there is also agreement to work on it, at the same time not allowing it to affect our relationship in the region.

So I understand there is a concern, of course, when China has grown strong people wonder how China is going to use its power. And China needs to prove to its neighbors it means for partnership, for cooperation. And China also needs to reach out more to the public in the neighboring countries to let people understand China better. But I think the objective of China is to have a peaceful environment. Otherwise we ourselves will not be able to focus on our economic development. So stability, cooperation still is the objective for China and for the region.

Mr. David Ignatius: And so somebody said, "Turn around," and I'm gonna do that. And as I turn to the gentleman let's bunch two questions and then Senator

Bennet. Go ahead.

Jean Jacque (Unable to translate): Yes. My name is Jean Jacque (Unable to translate) and I'm from Italy. I have a question that I want to address to the three of you. I would say that we're moving in the direction of a multi-polar world. But so my first question is do you agree because multi-polarism used to be a dirty word in Washington a couple of years ago. And now it has become almost conventional wisdom. And I mean the three of you represent three poles in a sense, that we Europeans have some homework to doing, you know, in getting our pole a little more cohesive.

The second part of my question is, if you do agree that we are moving in this direction, Russia, Mercusor , South African union and so on, do you have any thoughts as to how we should organize it? And we've all agreed until now, you know, that the G2 is no issue and also the G20 has its disadvantages because how do you pick the 20s? So maybe we should think, you know, in terms of the reform of the Security Council which are--

Mr. David Ignatius: All right.

Jean Jacque (Unable to translate): --reflects, you know--and situation that has--

Mr. David Ignatius: U--

Jean Jacque (Unable to translate): of the far past.

Mr. David Ignatius: --I'm gonna--I'm gonna take one more question for Senator Bennet and then we'll turn back to the panel. I see so many hands up I want to try to get to as many people as I can.

Senator Bennet: I live the cliché, "every time I go to China I don't recognize it." The last time I was there, which was maybe three or four months ago driving through Beijing, all of the brand new high rise condos are very obvious and I asked the question, "Who built these?" Well, they're built on spec. I said, "Who lives in them?" I was told, "Nobody." And I asked the question, "Well, then why are they built?" "Well, real estate values are going up so rapidly in China that it's a good investment to have a condo whether you live in it or not." And I said to myself, "Can you say,

‘Condos in Miami’? Can you say, ‘Las Vegas’? Can you say, ‘Arizona’?” This was the core of meltdown of the American financial system when the housing market collapsed because we had overproduction everywhere. When I was at Davos somebody summarized it perfectly. He said, “I knew we were in trouble when my cab driver said he owned three houses.” Do you have a sense that there could be a serious financial problem in China when finally somebody will not buy the last tulip or in this case, the last condo, and you have blocks and blocks of huge condo buildings with nobody living in them and nobody willing to buy them?

Mr. David Ignatius: It’s a great question. I want to take one more before I turn back this way. Yes, ma’am?

Miss Xenia Dormandy: Thank you. Xenia Dormandy, Chatham House. There’s a discussion, if you will, there’s an argument in the U.S. that there’s a split within China between the politics and the military. And there’s a fear within many--with many people in the

United States that there isn't effective communication between the two, there's two different factions, the political system in China is dividing from the military system and that while we may want cooperation with China and the political system in China wanting cooperation with the United States, the military has a different opinion and a different position. And I'd be interested in all three panelists thoughts on whether that's true or not and the implications, if it is.

Mr. David Ignatius: That's a rich mix. So we have--we have governance, the G20, G2 or what? We have the question of whether China is hitting the tulip craze, overbuilding danger zone and the question of whether there is--question that people as more and more, is there some gap between the PLA and what it wants and the Chinese government? So let's turn to the panel. Carl, why don't we start with you?

The Honorable Carl Bildt: At least oddly with the last question I think it's fairly obvious. And you can take that in virtually every country. There's a

difference between the outlook of, say, investment banker and the command of an armored brigade. And that certainly applies to the United States, probably applies to Sweden as insofar as we have any armored brigades these days. And I would be very surprised if it doesn't apply to China either.

China has the second largest defense budget in the world. It has the major defense budget that is increasing larger than--or faster than anyone else.

Of course, military men have their own mindsets and we should not be surprised. But I think that argues in favor of engaging with them, as well. And I think one of the most fascinating things that we've seen in China during the last few years is that the debate on foreign security policy issues has been somewhat more diversified. You can hear the different voices. They are their natural voices representing the different constituencies. We must be prepared to engage with all of them. But the fact that there are different constituencies representing different outlooks shows

that China is developing, perhaps as a normal countries as well but it's different and it's new and they are powerful.

Mr. David Ignatius: Madam--Madam Vice Minister, what are your thoughts about those--any and all of those three?

The Honorable Fu Ying: First of all, the military, about different views, different voices, I was in a Party school and I--would attend lectures with very diverse views. One day somebody comes in to say, "U.S. is a friend." The next day somebody comes in to say, "U.S. is an enemy, you should be always be on guard." The military professors also have different views when they come to give lectures, very very different lectures.

The outside world, especially West, think China has no freedom of speech but when we had different views you get worried but there has always been different views maybe because of the language barrier. You don't hear or you don't come with ears. I think in China it's

impossible to have 1.3 billion people staying on one line. There are always diversified views. But for the army, we can't deny army professors expressing their views. But the army has a policy, which is defensive, which follows the party line. I don't think there is a split between army and the government. I understand the view comes from probably two reasons, one is the military, the strategic dialogue was not resuming while the political dialogue was very active. But Secretary Gates came to China so the relationship is resuming.

But for the army there is this sense of, how do you say, China is the only one country of the five permanent members of Security Council, which is under sanction of its fellow member of the Security Council. China is expected to work with U.S., with E.U. on sanctions, on North Korea, on Iran and now Libya and and China itself is under sanction. So it's a very awkward situation. Chinese people are very

very polite. The Chinese army people are even more polite. Doesn't mean they don't think. They think--they

have their own views and they want to have dialogue. They've been having close dialogue with the American Defense Force for a long time. But at the same time, U.S. sells arms to Taiwan. So for them it's--I think I understand their agony. I understand the difficulties. I'm often invited to speak to the army functions. And they raise very critical questions to me, to the diplomats.

And the other reason this idea came was probably because Gates came on the day that a new weapon--new--fighter was tested and it was perceived as deliberate act, but anybody with a bit of knowledge of technology would know that a diplomatic visit by a Secretary of Defense can be arranged in two months' time but the testing of flight is planned a lot longer and it needs lots of natural conditions.

So I think the interpretation is a reflection of the kind of thinking some people has about China. I wouldn't--I think people are reading too much out of it but it is true that the comfort level needs to be

raised between the two militaries. Imagine if U.S. is under sanction by China how would you feel? You never had that experience so you don't know. But, please, do try to understand the feeling of the other side. About, oh, let me see, there are other questions. Should I go on? Should I go on or--

Mr. David Ignatius: I don't want to--we knew that was a good--let's--we--

The Honorable Fu Ying: Then let me have a break.

Mr. David Ignatius: --Well--I'll--I want to--I'll turn to Bob Hormats and maybe, Bob, you could speak to this question about--that was implicit in Senator Bennet's question about whether the--we're looking at an overheating, or not--a bubble problem in China.

The Honorable Robert Hormats: Yeah, okay. Well, let me just touch first on the multi-polar world question. I mean it is a multi-polar world but a multi-polar world also creates opportunity for a multi-partner world. And I think increasingly that's the right way of looking at it. Surely, there are more centers of power

today than there were 20 years ago, 30 years ago, 40 years ago, you know, during the Cold War there were two centers, essentially two centers of power, Moscow and Washington, or the U.S. and the Soviet Union.

Now, we have a number of centers of power. I don't look at that as a bad thing. It seems to me that if we look at these, as I say, as potential partners in dealing with trade or financial or environmental or other issues that's the world of the 21st century, to look at at ways of developing these partnerships.

The G20 is one but we need to do it in a whole range of institutions. The OECD is an example. It's in Paris, not very far from here. The OECD, which was traditionally seen particularly after World War II, as a very western centered institution. It now has an outreach program for China, India, Brazil and it's headed by a Mexican. That's a really interesting change. Many, many institutions now, if they're gonna be successful, have to include these other centers of economic and political power in them or they won't be

seen as legitimate internationally and they won't achieve very much in the way of real objectives.

On Senator Bennet's point, there is traditionally, from time to time in China, little mini-bubbles. There are--and some of them are in the real estate area, as he's correctly pointed out.

But I will say one thing, and that is that the people who run the Chinese economy, the People's Bank of China, Governor Zhou Xiaochuan, the Minister of Finance, the economic team, are very sophisticated about managing these issues of real estate bubbles and inflation.

If you read Premier Wen's work plan for the next several years, the next five years, he underscores that the biggest single threat to the economy is inflation. And the government of China has gone through this--these periods before and has handled them, I think, remarkably well.

One of the things we really have to recognize about China is they have a very sophisticated economic team.

They understand inflation. Historically inflation, if you go back before the Revolution, historically inflation has been a very destabilizing force in China. And the Chinese government has made a major effort when it--when they see inflation to arrest it, to slow it down before it becomes destabilizing and therefore I think they--they're very much on top of the situation although, as I say, there are these many bubbles, primarily in Beijing and Shanghai, not so much throughout the rest of the country. So I--they're aware of it and I think they're gonna deal with it.

And the last point, the military point, I just want to make one point. I don't want to get into some speculation as to issues internally in China. I have enough issues trying to understand what's going on within the United States. But I do think that the Gates visit was very important. And increasing cooperation between--and contact between the American military and the Chinese military is a very good idea.

If you look--I'll give you an example: if you look

at Egypt, one of the reasons we've been able to have a dialogue with the Egyptian military during this period is that a lot of these people studied in the United States and those people who didn't study in the United States had very good contacts with the American military.

And I think building confidence between the United States and China over the long run is going to require not simply a political dialogue, which we have got in the strategic and the economic dialogue and other things or these economic discussions, which take place on a week-to-week, month-to-month basis, but a lot more visits by our military to China, China's military to the United States. So--and that's part of a confidence building exercise, which I think is critically important to closer cooperation and stability over the next 5, 10, 15, 20 years.

And I think the Gates visit was a very important part of that. And, of course, we welcome senior Chinese military leaders to Washington and hope they'll be more

and more of them as well as people at the--at lower levels, too, so they get to know one another, they get to understand one another and they develop a dialogue.

Mr. David Ignatius: I'm gonna try four questions this time starting with this gentleman and then two rows and then this gentleman here and then, yes, Madam, there.

Michael Hansen: Michael Hansen is my name, from Sweden. The Chinese people and nation is craving for international respect; isn't that so? We would so much like to accommodate you but there is one difference between us that we have to sort up first. We call censorships censorships. If we could have a straight dialogue concerning that I'm sure that the respect would be much more visible after having had such a discussion. Madam, what do you think about that?

Mr. David Ignatius: Let's hold that for a minute, Sir.

Iain Conn: Uh, Iain Conn. I'm with BP. I look after Europe and Asia. And I really want to start with an

observation and then turn it into a question.

The question tonight is, is strategic competition inevitable? And something that you've got choice over by definition isn't inevitable. And I'm intrigued by this conversation because it seems to me we have a spectrum from strategic competition at one end to strategic cooperation at the other. And if you're trying to get to know someone you tend to focus on the things that you can talk about or have in common. And if you don't want to get to know someone you tend to either ignore them or talk about the things that you are finding to be fundamentally different.

And I find most of this conversation tonight focused on difference rather than commonality yet when I see in the matter of energy and lots of other things there is huge basis for commonality. So my question to the panel really is are we avoiding being honest with each other that there isn't enough will for strategic cooperation? 'Cause it seems to me patently obvious from where I stand as an energy person that there is

huge basis for strategic cooperation. And if we cooperate we'll learn about each other and we create a virtuous dynamic in cooperation. If we choose to go the other route which is a perfectly valid choice we will go the other route. So my question to the panel is, is there really sufficient will for strategic cooperation or are we actually going through the motions?

Andrew Michta: Andrew Michta, Rhodes College, very brief question to all three panelists, if I may. As I listen for an hour and a half to this discussion there's one country that has not been mentioned once, it happens to be the east of Carl's homeland, happens to be to the north of you, Madam Minister, and I think Sarah Palin can see it from her house, so it's close to us, as well. Not a word about Russia, how it figures into the so-called U.S. rigidity competition. So we are implicitly frontloading the discussion that there is one very significant Eurasian power that's not even in the room as we're talking about it. And I'd like for the panelists to address how Russia figures into the

discussion, critical for energy issues, critical for energy and I think very important for us in Central Asia and current operations. Thank you.

Mr. David Ignatius: Madam?

Valentina Pop: I'm a journalist with the EU Observer here in Brussels. And my question is directed both to Ms. Ying and to Mr. Bildt regarding Libya. And yesterday the NATO ambassador's agreeing on the enforcement of the no-fly zone by NATO. So I was wondering what the--China's view is and of course what Sweden and non-NATO member but strong NATO ally is on this? Thank you.

Mr. David Ignatius: So, again, we have--we have a question about openness, Madam Vice-Minister, pointed to you. Is this really a question of when we come down to it of a lack of political will to do what's obvious and necessary, what about Russia and some more focus on Libya. So, again, why don't we start with you, Carl?

The Honorable Carl Bildt: Well, last question perhaps I would answer outside this particular panel

but since she asked me I would say that air operation is a serious business and can't be conducted in a serious way without a serious shade of command. Period. And then you might look around and see who can supply a serious command chain. And the choice is fairly limited. That's the way it is, otherwise it's not a serious operation.

But let me as--address the question whether we are focusing too much on what unites us or what divides us. I would argue that what we are talking about is management of strategic change. It is a huge change that's happening with China and has impact all over the world. It's not only China; it's also other rising powers but it's primarily China. That must be managed in a dialogue. That dialogue, I think having been through some of these meetings, tends to perhaps be, I mean it's not that it's focusing too much on what divides. Sometimes it's focused too little on what divides, that we are too kind to each other, that diplomacy takes dominance. I mean diplomacy in that

sort of way takes dominance over, really, the honest dialogue. Of course, we are aware, I think, on the European side, American side and Chinese side on how much we have in common and how much these common responsibility for managing be that the global economy or be that climate change. But we also know that we can't really do it if we don't discuss fairly openly the difference perspectives that are there coming out of the different geographies, the different economies, the different historical experiences.

Or take the issue that we've been touching on, the cyberspace issues. It doesn't go away if you don't address it but it will hit us all if we don't address it. And if we then don't address it then all of the glossy nice things that we can create can be eroded by the fact that there are things that we are not addressing so a proper relationship, yes, of course. It is based on the fact that we live on the same planet and we'll, I would go and say leave even more on the same planet but that's fairly obvious. But we would be

more linked to each other, that's fairly obvious. But that makes it also important that we focus on the issues where perspectives are different because otherwise it's a very shallow relationships and a shallow relationship won't last. And a shallow relationship with China is not what the world needs today.

Mr. David Ignatius: Fu Ying.

The Honorable Fu Ying: I like to start from the censorship one and then go through the rest, which I missed. For the censorship for some countries the censorship is about terrorism, for others maybe about racism, and for some it's about subversion. I think countries have laws for different reasons against different things. A Chinese student got arrested shouting at the airport in New York to his girlfriend. He wouldn't get arrested if he did it in China at the airport. Lots of Chinese shout at each other. I think countries are sensitive about things for different reasons, probably for good reason. I don't

think it’s easy to manage the Internet at this time with the technology. I think it’s a challenge for all countries, all governments, balancing the freedom at the same time preventing the damage. In China there is a very difficult question regarding how much you control the children from viewing the Internet. Parents think there should be more control but the scholars are saying that you shouldn’t--you should leave it for the children to decide. I think we are in the--in--in a changing world and we are confronting with different challenges but there is surely a need to provide safety for the society. I think that’s the responsibility for all governments.

In China a man was sentenced to seven years because of a Internet photo he put. He crafted the photo from CNN or from somewhere about a red-clothed girl being stoned to death. And he crafted and he said it happened in Guangzho and send it to Zhen Yung and stirred up ethnic hatred. And it was wrong not to censor it in the first place.

So I think you should leave the benefit of doubt that countries and people have their reason and have their way of developing themselves. It is wrong to believe that the Chinese government is trying to prevent people from having the access of information.

Now, about the question of housing, the--it is true that there are--there are houses, which was sold, there's not l--there's no lights on in the evening but there are not many. There are not many. If you come to Beijing twelve o'clock or ten o'clock in the evening most of the houses have lights. In China we still have half of the population in the rural area. So the industrialization, the urbanization in China is at very early stage so we are far from the problem that is plaguing the United States.

But there is the problem in China is the price of the houses. The complaint is about the expense, the houses are getting more expensive. And at the National People's Congress normally before March it's a time people express their concerns. Last year it was

education, it was medical care and this year it's housing price.

And that's why at the new five-year program there is a clear plan to increase the subsidized housing. Subsidized housing used to be offered during a planned economy time but with the market economy we put all the houses on the marked. Now we realize not everybody can afford so there--we come back to the scheme of subsidized housing. Hopefully that will help. I think the plan is to provide 36 million more families with subsidized housing so I thank you for worrying for China but--

Mr. David Ignatius: We could--

The Honorable Fu Ying: --but for inflation, yes, inflation is also a concern but as Bob said that China is working very hard on it.

Now, about the will of a strategic cooperation I think there is and because we don't have other choice. For the multi-polar world China has always advocated for multi-polar world but recently you may notice that

we are using more the term multi-laterism instead of the multi-polarism because the developing countries, the Africans, the Asians came to ask where are we in this multi-polared world? We realized that it should be more inclusive so we talk more about multi-laterism, which is the face of the world we see now.

I think I've answered them all.

Mr. David Ignatius: Bob, Bob Hormats.

The Honorable Robert Hormats: Okay. Let me just first discuss this question of whether we're focusing too much on differences and not enough on areas of common interest. I think Carl put his finger on it. I-- there are clearly areas where there are differences of opinion. We have very different political systems between China and the U.S. and China and Europe. In some cases we have very different views on issues related to freedom of information. We have differences on issues related to human rights and we speak of them, I think, very candidly to one another as one would do

where we have respect for one another.

And I remember going to China early on when Dr. Kissinger was opening up and we had conversations with Premier Zhu Enlai and the Chinese never, ever complained when we had candid conversations about differences. They didn't always agree with us and we didn't always agree with them but Zhu Enlai repeatedly said, you know, "If two great powers are sitting down with one another they should be candid about where they agree and where they disagree." And I think that that candor has characterized the relationship.

There's a difference between being candid and being confrontational. And one of the points that I think is very important is that neither side, even when we've had differences, have put these in a confrontational context. There have been very frank discussions about differences from time to time but the general view of both sides is that where we have them we should acknowledge them and work them out where we can work them out. And if we can't work them out then try to

manage them.

The broader point is that there are a great many more areas where we have common interests than areas in which there are differences. And I just will go through them very quickly. We cannot resolve global environmental issues without cooperation between the United States and China. We were not able to deal with the financial--we wouldn't have been able to deal with the financial situation that we confronted as well as the world did without cooperation between the United States and China. There are any number of other issues dealing with piracy in the Indian Ocean, a lot of cooperation between the United States and China. We're working very closely on the situation in North Korea. We don't necessarily agree on every point but there's--China has played a very constructive role in dealing with those issues. So I think that the dialogue, the strategic and economic dialogue and every--and the meetings and I've had the opportunity to sit in our meetings between President Obama and President Hu

Jintao on three occasions. All of them, all of them are focused on areas where even where we disagree and President Hu will bring up areas of disagreement, President Obama will bring them up, but even where those exist the objective is to find ways of managing them. And I think there's a great deal more emphasis on cooperation than confrontation in areas where interests converge than on those where they diverge.

And let me just touch briefly on Russia since I came from Moscow yesterday and feel that I should address this at least for a moment. There is, you know, the notion of the reset button that was so famously mentioned at the beginning of this Administration. There is a very interesting thing going on and that is the fact is that the United States is working with Russia in a way where the old tensions of the Cold War may still exist in the minds of some people on the Russian side and the American side. And there are people who bring these issues up from time-to-time. That is certainly true.

But, again, the whole thrust of relations between President Obama and President Medvedev and President Putin are designed to try to narrow differences and the and the point I want to illustrate this with is the following, and that is our goal and the EU's goal also, is to have Russia join the World Trade Organization, the WTO, and we've been working with the Russians on this. China joined the WTO years ago under the leadership of--largely driven by Premier Zhu Rongji. And the interesting thing, and if you put this all in a historical context, during the Cold War there was a question, "How would the Cold War end? Would it end in a hot war, would it end in a nuclear war or would it end some other way?" The answer is that the Cold War ended not with a hot war, not with a nuclear war but with the former adversaries of the United States and Europe becoming part of the global system, joining the IMF, joining the World Bank, joining, in many cases, the World Trade Organization, working with the global institutions that were established in the 1940s and

1950s, becoming part of, and in largely, a very constructive part of the global system. So if you want to look at history and put what we're discussing now in the broader context of global history there has been an integration into the global economic system that could not have been dreamt of in the 1970s during the height of the Cold War but that the--the fact is most countries realized that they have a great deal more to gain working together economically in those institutions than confronting one another. And the fact that we're much more integrated today leads me to conclude not that we can avoid problems or differences, they are going to exist. With big countries they're certainly going to exist. But that there is a framework for resolving them and if you take the spirit that enabled the integration of these economies, these countries into the global system in the 1990s and the current century, then I think you can conclude that not that all issues are going to be resolved quickly or easily, they won't be. But there's a process underway,

there’s sort of a sweep of history, that leads to greater integration and a greater process of problem-solving than could’ve been imagined 20 years ago.

Mr. David Ignatius: With Bob Hormats’, that’s a nice way to end it, very upbeat. With apologies to the people that I wasn’t able to call on, it’s after eleven o’clock. My mother always told me it’s impolite to keep guests after 11:00 and we’ve pushed our panel hard so I apologize to the people who had their hands raised for a long time that I didn’t get to. But I’ve found this fascinating. Join me, please in thanking the panel.