

THE ASPEN INSTITUTE

ASPEN SECURITY FORUM

China Rising

Doerr-Hosier Center
Aspen, Colorado

Friday, July 20, 2018

Speaker 1: Stewart Baker will introduce this panel.

Stewart Baker: Here's the question. How do you get overlooked for almost two days at this conference when you're the biggest country in the world, you're the greatest national security threat that the United States faces for the next century, and you've got a dossier on everybody in this room? I think the answer is that, as much as he has wanted to be a friend of Vladimir Putin, Donald Trump and his ability to just suck our attention off on something that barely matters has been a much better friend to Xi Jinping.

I'm Stewart Baker. As they said, I'm a Washington lawyer and a host of The Cyberlaw Podcast, which I hope you're all listening to. I'm here to introduce David Ignatius, whom I've known for many years. He's a deep appreciator of the US Intelligence Committee, a great Washington Post columnist, and best of all, writes spy thrillers that are actually accurate in terms of the intelligence community politics.

If you'll give me one fan boy moment, his latest book, The Quantum Spy, is not just a good thriller, it is a nuanced exploration of the way in which US identity politics interacts with China's view that you may have been out of China for five generations, but you still owe your first loyalty to Mother China. The interaction of those things is the important plot point of The Quantum Spy. So David, take it away.

David Ignatius: As Stewart ... Thank you for the shameless plug. You should politely say, of course, I didn't ask Stewart to say anything about my book. Actually I did ask Stewart if he'd mention it. We always, there are copies out there available.

We have a wonderful opportunity to remedy the gap that Stewart mentioned. For three days, we've heard, starting on Wednesday from Director Wray, that we really need to look more at China and the threat that China poses. We heard the same thing yesterday from Director Coats. Now we get our chance with an excellent panel. Let me briefly introduce them.

First, Mike Collins is the Deputy Director of the CIA's East Asia Mission Center, which is responsible for all analysis and operations involving China and East Asia. Next, Susan Thornton, who is the Acting Assistant Secretary of State for East Asia, who was a crucial person in the run up to the Singapore Summit in thinking with Secretary Tillerson, and then subsequently about that diplomacy. Ambassador Ashok Mirpuri from Singapore is a longtime ambassador, source of great insight for so many of us in Washington. Singapore, obviously, visibly was at the center of Asia at the time of the Singapore Summit, but always is for people who follow Asia. Finally, Marcel Lettre, who was the Undersecretary of Defense for Intelligence, and who knows this area and all of these intelligence issues so well.

Just to say one long sentence of introduction. As a friend of mine at the Pentagon observed to me recently, China poses a problem that, in a sense, the United States has never faced, which is having a genuine peer competitor. Russia may be militarily powerful, but no one ever imagined, in the days of the Soviet Union or now, that Russia would dominate the United States, that Russia would, in any meaningful way, compete with the United States, that Russia offered a serious alternative to American power in any comprehensive way.

That's not true with China. China is a genuine peer competitor, and will become more and more so through our lifetimes. That's the context in which I'd like to set our discussion. I want to open with the question that's really been our focus for these last two days, which is malign influence operations. We've been talking a lot, as we should, about Russia, but I want to begin our conversation about China by asking our panelists to talk about how China seeks to influence the United States, other countries, through its influence operations, the ways in which they're different, the ways in which they're threatening.

Just by way of background, Australia, a key US ally in Asia, got very serious about this problem last year, and took some really unprecedented steps to try to address the ways in which China was seeking to manipulate and subvert Australian political, and even economic, life.

Maybe I could ask Susan to start off with this question, and turn to each of our panelists. But Susan, talk about this Chinese influence threat, and how you think the United States can best deal with it.

Susan Thornton:

Thank you, David. I might start off by saying that I may be the only person on the panel that speaks both Russian and Chinese, and have worked both in Moscow and Beijing. I've been listening with rapt attention for the last couple of days to all of the discussions about Russia, thinking to myself that I hope that you would ask me a question about how does China differ from Russia, so that I could make the point to everybody that A) China is not just a footnote to what we're dealing with with Russia, and B) that China is actually a very different kind of challenge for the United States, a different kind of power. It brings to the table a lot of different kinds of assets and comparative advantages over Russia. We need to think in a very complex way with our partners and allies on how we're going to address the challenges that China poses.

I think you mentioned that the Australians had a real wake up call recently, with what they discovered to be a lot of influence operations inside of Australia, among particularly their Chinese Australian populations, but also some efforts to potentially woo political officials in Australia. They have moved to address some of those things, but it's not so unprecedented. What they've done, in fact most recently what they did was they passed a foreign agents registration act and a political campaign donations restriction act, two things which of course the United States has had for many, many years, and which they had discussions with us about in the process of moving in that direction.

I think it's good that, as someone was saying on an earlier panel, transparency shining a light on these things is crucially important. A lot of times, it's a matter of heightening the awareness of people. We've seen ...

Of course, we have a lot of Chinese university students in the United States. So do many other English speaking countries in particular. I think heightening the awareness on the part of universities about what kinds of influence might be trying to be wielded among Chinese students, among Chinese student groups on universities, can sometimes, if by just shining a light and exposing this kind of thing, do a lot to mitigate the negative influences.

David Ignatius: Let me ask Mike Collins. Mike, as our intelligence community looks at this broad pattern of Chinese influence operations, as Susan said, there are 350,000 Chinese students in America. The American movie companies are convinced that if they offend China, they'll lose the most important box office in the world. American universities are vulnerable to Chinese pressures. They've discovered if they've done anything to offend the Chinese ... What's China's goal as it conducts this broad array of influence operations? What are they trying to do?

Mike Collins: Thank you. Let me say as well, I was here last year, and so thanks to the Institute for inviting me back. We don't do this very often, as you well know, so two times in a year is a marked extreme pattern for me personally. But last year, the China panel was the last day, Saturday, at the very end. I made the same comment last year about how we didn't talk about China. A lot of discussions on Russia.

David Ignatius: Next year, we're going to be [crosstalk 00:08:37].

Mike Collins: This year, we picked it up a little bit to start things off.

But look, at the end of the day, the Chinese fundamentally seek to replace the United States as the leading power in the world. We wouldn't have said that 10, 15 years ago. Increasingly, the Chinese ...

Let me be careful about this, because terms are important in what we're talking about, what we're not talking about. We're talking about this rising China under this leadership directed by this Communist Party of China. I say that with purpose, because the Chinese will accuse commentary like this as being anti-China or anti-Chinese. The threat that China poses to US national security, economic interests, political wellbeing, and the international order we stand behind, is not necessary coming from the country itself, its rise, its contribution to international wellbeing, nor from the diaspora or the Chinese citizenry in general. It's under this leadership, which increasingly has been aspiring, expanding its ambitions, its interests, its activities around the globe to compete with the United States, and at the end of the day, to undermine our influence relative to their influence.

By their own terms, and what Xi Jinping enunciates, I would argue, by definition, I know John McLaughlin raised this issue earlier in describing Russia, but what they're waging against us is fundamentally a cold war. A cold war not like we saw during the Cold War, but a cold war by definition. A country that exploits all avenues of power, licit and illicit, public and private, economic, military, to undermine the standing of your rival relative to your own standing, without resorting to conflict.

The Chinese do not want conflict. They do not want war. They do not want conflagration. But at the end of the day, they want every country around the world, when it's deciding its interests, its decisions on policy issues, to first and foremost side with China, not the United States, because the Chinese are increasingly defining a conflict with the United States and what we stand behind as a systems conflict.

Read [inaudible 00:10:47] writings, Socialism. He's not just talking about Socialism, he's talking about Socialism with Chinese characteristics, directed by the Communist Party of China. It sets up a competition with us and what we stand behind far more significantly, by any extreme, to what the Russians could put forward.

Last, let me just close. I worry in their influence campaigns, about the political interference, the media interference, the economic interference, and all the things that Director Wray spoke about, but I worry as well about the interference in our thought. They are fundamentally trying to encourage those of us, the Chinese diaspora more broadly, those with whom they have influence, to think their way about governance, and not perhaps the way we would advocate, or we would prefer, the United States would prefer we think about things like the liberal international order.

David Ignatius: Ambassador Mirpuri, I'm curious what this Chinese influence effort looks like from the perspective of Singapore. You're in their neighborhood, so to speak. You have friendly relations with China. You have significant Chinese ancestry, part of your population. What do you see coming at Singapore? What do you try to resist and how? What do you just accept as part of the air you're going to have to breathe?

Ashok Mirpuri: Well, thank you, David. Just to put one more plug in for David's book, because he set the first one third in Singapore. As I was reading it, I was trying to identify the places he's been going into.

In the book and more generally, it is a very different dimension of a problem, because the Chinese have been civilizationally associated with Southeast Asia for generations. They are there in Singapore. The majority population are Chinese who came in the 19th century, 20th century, were settled in Singapore, identify as Singapore Chinese, but are ethnically Chinese. You have significant Chinese minorities in Indonesia, in Malaysia, in Thailand, in the Philippines, in

each one of these countries. They're significant, even if the numbers don't add up to very much, they're economically very significant. So there's always some tension within these societies already between the traditional, the Bumiputeras, the pre-Bumis versus the Chinese, and then with the Chinese influence coming in. So it's quite a very different dimension for where we are, given the trading patterns and everything.

We are seeing the emergence or reemergence of China. We are seeing, and very directly associated with the party, united front tactics that they have spoken about. That is over there. Chinese ambassador since some other countries have associated themselves with political activities of different parties. Around the world, that's really not acceptable for ambassadors to go and associate themselves with political party, but because there is the ethnic dimension in it, it adds to the complexity of it.

It is something that the region has to live with. We will have to live with this growth of China. The United States is an ocean away from China. Southeast Asia is within any whatever you call a Chinese field of influence, in any geographical map that you draw.

How do we, then, in places like Singapore, the importance is then how do we strengthen our own multicultural activities to insure that your Chinese Singaporean is different from a Chinese coming from China, so that people can appreciate that?

David Ignatius: Ambassador, what, just to ask one more question, what would be the red lines for Singapore? I understand that you're saying, "We have to live in this world. We have a significant part of our population of Chinese." What are the things that you say to China, openly or privately, some way, you can't do?

Ashok Mirpuri: When you're a small country like Singapore, everyone tries to influence you. There have been US influence operations in Singapore before, in our political processes. Our neighbors, Indonesia and Malaysia have run influence operations. This is just another one of these. We, in a sense, it's inoculating our own population and sending messages to all our neighbors to say, "Do not interfere in our domestic processes," and then drawing red lines.

The point that Michael makes about them, whichever person wants to influence you, wants you to think of their interests first. That's a huge difficulty. How do you educate a population to understand that? When you're a businessperson doing business with China, and you see great opportunities over there, and you start seeing your government doing things [inaudible 00:15:25] to the United States, you will then start to question some of these choices that governments make. So it's really an inoculation process you have to deal with.

David Ignatius: Marcel, let me ask you to close out this initial round of questions. Early this year, our National Security Council staff disclosed a broad effort to work with

agencies of the US government to organize a better effort to resist Chinese influence operations. Again, we think of these areas of vulnerability, our universities, our companies, our movie studios, et cetera. I want to ask you what you think, because I think this effort is ongoing, what you'd say as somebody with a lot of experience in the intelligence area, should be on that list of ways that the US government appropriately could bolster our institutions against Chinese pressure.

Marcel Lettre: Well, I think it comes down to, and Mike Collins alluded to this, but thinking a little bit about the China threat the way the Chinese are thinking about it, which is a whole of government, whole of system, whole of state approach. The Chinese approach is really, influence is just one tool in a larger effort to expand and grow a toolkit around national security powers, so to speak, conventional military modernization, high end capability advancement to counter the US in Anti Access/Area Denial approaches, nuclear deterrent modernization, asymmetric warfare approaches around thinking about countering our space advantage for example. The influence operations, and cyber-enabled espionage, and intellectual property theft all fit into this as well.

In short, it's a whole systemic approach to advancing their interests by growing out the power and capability of their national security enterprise and toolkits, so to speak. Therefore, we need to be thinking holistically in just the same way. Efforts, both in the counter-China and the counter-Russia context, to establish cross-governmental task forces are a very necessary first step, because an integrated approach across US federal government agencies is critical to this, to bring those federal, national tools to bear.

But we also need to be looking for ways to have that collaboration across state and local governments and other key organizations, and across critical infrastructure elements of the private sector, key industry players whether it's Silicon Valley and the technology arena, or the energy industry, or the aerospace and defense industry, which frankly has been under attack for decades from China and others.

David Ignatius: Should we be putting areas of potential investment for China off limits, investment in the US? There's been increasingly a move in that direction. What do you think of that?

Marcel Lettre: I think we should and we have been, and we should keep doing so. As most in this room are familiar with the CFIUS process, the Committee on Foreign Investment in the United States, which is a very robust, rigorous, disciplined approach to evaluating potential investments in the United States, and balancing the economic opportunity with the national security implications. However, that process only captures one small piece of a broader mosaic of investment and other activities going on by foreign actors, to include most notably China.

It is worth thinking through how we continue to leverage that process, improve upon it, but also expand it into other nascent operational areas, for example, in venture capital, investments in small startup companies, where I think there's a growing infusion of international investment in the US technology area, around artificial intelligence and quantum science and so forth, that we need to be thinking through the implications about.

David Ignatius: Mike, I want to ask you to share with this audience some thoughts about something I'm sure you think about every day, maybe every hour of every day, and that's Chinese president, party leader, Xi Jinping. Xi, in a sense, has reached a pinnacle of power. Arguably, he's the most effective political leader in the world right now, but you hear rumblings from China that as Xi has shattered the old consensual group leadership that characterized China after Mao and Deng Xiaoping, that he's really made a lot of enemies, and that there's more hidden resistance to Xi out there than meets the eye. I'd ask you to just talk about the Xi era that we've now entered. Xi Jinping Thought is now an official ... He's been canonized. What are the strengths and weaknesses, and maybe just what's the way in which he's choosing to govern?

Mike Collins: Sure, just a few points. I look at Xi Jinping's rise as both the cause and the symptom of a lot of what we're seeing in China's rise today. That is, he himself is a leading driver behind this more assertive foreign policy, external approach, and state directed approach internal within China, but it's not him alone. This is an outgrowth of where China has emerged, if you will, and what the international system has allowed China really to emerge into. Those are critical intervening factors.

Domestically, yes, putting the party on top of everything. Shattering what used to be a collective decision making model, whereby in effect, you could also spread not just credit, but blame among the elements of Chinese decision makers. Now, as much as, as powerful as he is, he's also more vulnerable by the fact that he is the leading power.

I hope ... I can be an optimist. I will be an optimist. Again, quoting John McLaughlin again earlier today, an analyst doesn't always have to look at the bad side of things. I think if we're successful overall for moderating Chinese aspirations, I'm confident that within China there are elements of the Chinese-

PART 1 OF 3 ENDS [00:22:04]

Mike: ... I'm confident that within China, there are elements of the Chinese community, the Chinese government, who want legitimate access to the international community. They want legitimate access to opportunities in the United States, economic, political, academia. When they start to see their interests being threatened by the behavior of their leadership, not by the United States, but by the behavior of their leadership, I'm confident you might start to see more resistance to his approach. In addition to what you referred

to, David, which is more of the backlash against the corruption investigation, which itself is also generating some concern within China.

David: How many enemies has he made? He's arguably replaced a whole generation of leadership in the PLA, in the party, in the intelligence service. Does he have enemies lying in wait out there, or has he basically succeeded in that purge and change of leadership, and gotten away with it?

Mike: I can't and wouldn't quantify, of course, who the enemies are, but no, he has created a class of former elite in power, the PLA, in the reorganization he's done under the PLA, in fact. You're seeing stories of former PLA officers protesting over not getting their benefits. That is in effect a manifestation of that as well. So, there are. There are pockets of criticism and concern against him for what he's done on his investigations, but also more broadly questions perhaps about the direction he's putting China in. Harder to see right now than in the past, but I wouldn't rule it out.

David: Susan, it used to be said that continued rule by the Communist Party in this rapidly modernizing, globally-connected country was just gonna be impossible, and yet under Xi, the power has been pulled back toward the party. If anything, China looks more authoritarian now than it did 10 years ago. The bet that a lot of people made that they won't be able to pull this off, people are beginning to wonder, "Well, maybe they can pull it off." I'm curious, as you look at China, look at the evidence that you see from around the country, is this kind of authoritarianism, party-led kind of governance, is that sustainable for China into the future indefinitely?

Susan: That's a great question. I think basically the Chinese government, Communist Party, has a legitimacy problem. They've always had this problem. When Deng Xiaoping came on the scene, he decided that the one way to restore the legitimacy of the Communist Party was to do away with all the excesses of the Mao era and turn toward economic development, economic modernization, and move China into modernity, make it strong again, and that would provide legitimacy to the rule of the Communist Party, which had been badly discredited, of course, after the excesses of Mao.

I think the Chinese Communist Party has gained a lot of legitimacy over the last decades through the incredible economic story that you've seen unfold there, but it's not gonna last forever. It's not sustainable. It's not enough. So, they have to keep turning to new sources of legitimacy, and I think that's how you see ... this military buildup is part of that. "Strong China" is Xi's mantra, and that's really what he's pursuing. I wouldn't put much more of a vision, frankly, behind it than that. China has a long-term strategy. Everyone has talked a lot about that. But as far as the vision, it's mostly just keep going and find sources of legitimacy for the Communist Party.

One of the things that Xi did was unleash this anti-corruption campaign, which is popular among the Chinese people, which gets at one of the grievances that everybody on the street has about the petty autocrat that's demanding something from them on a daily basis. I think they keep finding things that allow the Communist Party and it's continued, frankly, excesses, and I have been surprised under Xi Jinping to see the extent to which he has retrenched, elevated the role of the Communist Party's control in society and the economy and elsewhere in areas where they had seemed to be moving more rapidly toward reform, more interested in acceding to a globalized world with the norms and rules that come with that. Now you see them retrenching back from that.

I think it's moving away from the traditional Chinese, kind of Deng Xiaoping mantra of "keep your head down, bide your time, hide your capabilities." Xi has really come on with a much more confident, at least ... if you're putting it in those positive terms, but maybe "aggressive" if you're putting it in more negative terms ... approach to moving China ahead.

David: Marcel, I want to ask about the specific technology and really defense threat that this rising China poses. As we'll remember last fall at the 19th Party Congress, Xi was emphatic in stating his desire, China's desire, to dominate the commanding heights of technology. Quantum computing, artificial intelligence. Go down the list. Each of those obviously has important national security implications. I'm gonna ask from your perspective at the Pentagon, looking at a Chinese move into these very exotic new weapons and domains, what you think this audience should be particularly concerned about in terms of Chinese capabilities, Chinese ambitions in the military sphere. What would be on your watch list?

Marcel: Sure. Well, I'll start first by just briefly reminding that while the PLA is not without its challenges, and we don't want to overstate our concerns about the modernization path, nevertheless this is a country whose military has the second-largest global defense budget in the world, the largest standing army of ground forces, the third-largest air force at 2100 combat aircraft, 600 of which are pretty modern, fourth-generation combat aircraft, a navy of 300 ships, more than 60 submarines. All of this is in the process of being modernized and upgraded, much of which is just conventionally-oriented, but is also oriented around the innovations that we've been undertaking on the US side for the last decade or two, around what we call net-centric warfare and the integration of capabilities across multiple domains. So, as China seeks to modernize, I think it's first a useful reminder to recall that in a conventional sense, the modernization is occurring on a very large baseline of the military.

The next piece, though, is what you're getting to, David, which is there are a number of areas that China is pursuing that really add up to an effort to create an asymmetric set of advantages, where the ability to impose with these tools higher and higher costs on us to counter them is in itself creating leverage and

influence, and indeed advantage. Some of these most notable areas are around cyber, which we've touched on briefly, also artificial intelligence and quantum science, which we also are looking very heavily at. But also capabilities that would get right at the heart of our conventional capability. So, the pursuit of hypersonic technologies, which allow those who can crack the code, so to speak, on a glide vehicle that can travel halfway around the world at high speeds with high precision, being able to project power in an unprecedented way that defeats a lot of the traditional missile defense capabilities that we have. That's something that the Pentagon has noted. The Chinese have already pursued a test program that by some measures has had 20 times more tests than the US has.

Space is one final area that I'd like to mention. I think most countries around the world who have seen the US military in action over the last 25 years have seen the power that comes from our ability to integrate operations globally, and most of that is enabled by the incredible space-based capabilities that we have around navigation and communications, and intelligence and reconnaissance. While some countries, including China, are seeking to replicate that themselves, they're also looking for ways to put that advantage at risk. So, we read with growing concern about the idea of counterspace capabilities that perhaps the Chinese are pursuing, jamming and directed energy and anti-satellite technologies, all of which are tough to figure out. But if they're something that are pursued, it's a little bit of a whole new world for us in terms of how we think about the strategic competition with China.

David:

Mike, let me ask you to focus on that same question. I'd ask you to give us a little bit of a reality check, that the Chinese are so emphatic in announcing their desire to be dominant in these areas, they announce their investment in huge quantum computing labs, that they increasingly put out statements suggesting that they're mastering quantum radar, however that would work. I sometimes think looking at this that we probably ought to dial back a little bit the "gee whiz" factor, that they may not be quite as far along as they'd like us to think. But you'd know, so I want to ask you that.

And I want to ask you one more thing that's very much in the news, if you're following China. There's a lot of concern, certainly at the Pentagon, but I think increasingly in the US government, about Chinese ability to dominate fifth-generation wireless technology, that the Chinese are trying to tailor specifications and protocols for 5G so that basically their companies are the only ones who are gonna compete in that space, and they'll be able to own the ability to control driverless cars and go down the list of applications. Could you address those two things? First, are they really as good as they like to claim in some of these areas, and second, what about the 5G threat in particular?

Mike:

Yeah, no. On the first question, I think they recognize that they're not as good as they hope to be or want to be. ZTE is a great example of why a leading telecommunications company in China needs access to the United States, why

they desperately need access to our R&D, why they need access to ... Their strategy is to acquire the best of our innovation, our innovative strengths, in those high-end areas, and those of other countries as well, because they recognize that. They recognize those as leading capabilities they want, but they can't yet develop them on their own, so the access to those of others is very critical.

On this point, before I forget, "hide and bide" capabilities, the fact that they've lifted the "hide and bide" and they're actually exposing how they're using these capabilities coercively is also bringing pause to others recognizing, not just in the sense of IP getting stolen, but how the Chinese are actually using those capabilities in a more coercive way, which is bringing some concern, and rightfully pause, to those who want to engage them in enabling those capabilities.

Last point on 5G. Yeah, I think 5G is kind of the next domain of critical international technology competition. It's also representative of when I described the nature of the threat that China actually does pose. In this domain of 5G communications and telecommunications, and the standards that the Chinese are willing to accept and require for those to engage in that same domain, under the technology they control, is a major threat to not just our telecommunications well-being, but to the broader standards of economic engagement that we stand behind. 5G is a particular area of concern that ... as well from a military standpoint for its applications, that we all need to be focusing on critically.

To the last point, as Marcel said earlier, I want to reinforce the critical role of US industry. If we're gonna be successful in this overall effort to think about China being more modern, it's a campaign that's gonna require all of government, all of US industry, all of academia, all of US media, and those of our foreign partners to do the same. And in this area in particular, it's gonna require US industry to do the right thing.

David:

I want to ask Ambassador Mirpuri about how Asia is reacting to the rising China that's the subject of our panel. We read often that there's a backlash in Asia, that as China flexes its muscles, seems to be pushing people around, that countries like Vietnam most notably, but a range of countries, are pushing back. I'd be interested in your assessment of that, and maybe this is a good time also to ask you to make some comments about the South China Sea, the dramatic effort that the Chinese have made to establish that as a baseline of their area of influence.

Ashok Mirpuri:

I think first, it's ... from the region, the biggest anxiety is these tensions in US-China relations. More than China flexing a muscle, as we speak over here, and this is a national security audience, you look at that world as a binary world. A plus for China is a minus for the United States, and a plus for the United States is a minus for China. When you speak of military modernization, yes, the Chinese

are the second-largest military in the world, but the gap is so wide with the United States. It is huge. A Chinese military planner has to plan in ... I'm not making any excuses for them, but it is only natural that as an emerging great power, they say, "We need to have a blue-water navy. We need to have a lot more integrated capabilities," and they do not have either the technology or ability yet to do that. Their budgets haven't quite caught up. In any case, as their budgets grow, they will grow at economic growth. It is a natural phenomenon.

I think the tensions that we see as the US naming China a national security competitor, a national defense competitor. These are the bigger anxieties in the emergent region. Because this is a region in Southeast Asia which is really the pivot point of all this competition between the US and China. Northeast Asia of course is important with Japan and Korea, but Southeast Asia is where many of ... because the US has been effective in that region for over 50 years, and the Chinese have been part of that region, as I said, as part of civilization and now coming back in. When we start to see tensions emerge, then there's a certain anxiety.

What we're starting to see as well, coming to your question about some unhappiness about Chinese muscular policies, a lot of this go around a new Chinese economic architecture. The Chinese have an economic architecture around One Belt, One Road, around the AIIB, and these are things where the US has decided not to be part of. In many ways it leaves the countries of the region with little choice but to take a Chinese investment, even if the requirements may be a lot more onerous than a US investment. I think what is important now is to set standards that say, "If you're going to have an investment from China for a new dam or a new railway, these have to meet certain international standards." How do we work with the World Bank, with the IMF, bringing the AIIB to say, "There are regional standards that we can use effectively," rather than to say, "You are going to be under this pressure of China."

Then countries like Sri Lanka have felt that pressure, because they were not quite sure how to do these standards. I think it's working with them to raise these standards so they understand where it comes in. The Chinese star has also been a little bit ... I think Chinese diplomats are starting to understand that there are backlashes coming for what they do. But it's offering to the rest of the region, how do we play this role in US-China relations? Take 5G, for example. 5G, the countries of Southeast Asia are essentially price takers. None of us is going to invent 5G technology. If the Chinese are going to offer us 5G cheaper and a lot quicker, and they're into our driverless cars and our payment systems, people will just take that if there is no US alternative into that.

The point I want to make is that the US has to be part of this game, and it's not just a security game of looking at aircraft carriers and submarines and space technology. In Southeast Asia, it's an economic game. The battle is fought over, can you help to frame an economic architecture that has a role for the United

States that is beneficial for the region and a role for China? Not at the exclusion of one or the other. I can take up the South China Sea now, or you want to-

David: Yes, I want to get to North Korea before we turn to the audience, but do say a few words ... and anybody else who would like to jump in ... we had a significant Chinese push in the South China Sea. The Obama Administration hoped, hoped, hoped that the international arbitration around the Philippine claims would be successful, and it was. And it didn't make any difference. The Chinese went sailing ahead. So, Ambassador, how does Asia look at what the Chinese have done in the South China Sea?

Ashok Mirpuri: I think that they would have preferred if these things did not happen. Singapore is not a claimant state. There are other Southeast Asian claimant states. But Singapore, as a very major maritime hub in the region, is impacted by developments in the South China Sea, so we take a very deep interest in it. What we're trying to do now is to create rules. We're negotiating a code of conduct with the Chinese. ASEAN and China are trying to work this out. All these things can only work if the US is present. The Chinese will not negotiate with ASEAN or individual Southeast Asian countries without a US presence.

The Philippines won that tribunal vote, but by the time they won it President Duterte was in office, and he basically made the calculation that the US is not going to war for the Philippines in order to enforce the victory. So he then said, "I have to go and work out some sort of arrangement with the Chinese that draws lines where they will not cross over," and the Chinese will try to cross over and he will try to push them back. They have no navy to speak of, they have a minimal air force. They cannot push back. You see individual countries in the region making these individual capitulations, which is why as ASEAN we're trying to at least work out a code of conduct to say, "Let's do this and let's not do that. Let's use the UN law of the sea."

And the Chinese ... big, great powers ignore these things all the time. You have your own history of ignoring these things as well, so the Chinese come back and tell us, "The US has ignored all these things. Why are you putting the spotlight on us?" But I think in today's context, having the US come around and say regularly, "We are doing Freedom of Navigation operations. It is part of the conversation that General Mattis has with his Chinese counterpart. It's part of the conversation that Secretary Pompeo has with his Chinese counterpart. It's part of the conversation that President Trump has with his Chinese ..." I think this is important, to say that we are watching you, we may not want to go to war over a reef somewhere, but these are activities that are not acceptable.

David: I will save for another time the question of what the lessons learned of the South China Sea experience are, because we're gonna have similar challenges ahead. But I do want to get briefly to two final questions that are very much in the news. I'm gonna start with Susan, and just ask others to jump in. The first is, following the extraordinary summit with Kim Jong-un and the diplomacy with

North Korea, we're all curious about what role China will play, would like to play. Sometimes it looks to me as if China is trying to catch up. The Chinese know the North Koreans don't-

PART 2 OF 3 ENDS [00:44:04]

David: -Just trying to catch up. The Chinese know the North Koreans don't like them very much. They don't like this to be happening outside their sphere of control. So it did seem after the Singapore Summit that there was an effort by China to kind of reassert interest influence. Is that how you read it, Susan? And what would you look for from China in the next phase as we try to someone make real the de-nuclearization commitment. Do you think the Chinese will be with on that in a significant way?

Susan: Well, can I just make first a comment about the South China Sea. I think the South China Sea is a key signal of several things. One, how is China going to treat its neighbors and how will its relations with its neighbors develop. To how is China going to behave in respect to access to global commons. And will China be bound by rules and will it negotiate with Asian Multilateral Collective or will it try to pick off one by one each individual and get more leverage that way.

So I think there are a lot of things; we hear a lot about freedom of navigation operations, which gets at the U.S. presence issue, and also at the access to the global commons. But it's really about how is China going to treat smaller and, frankly, weaker states in the overall region in Asia. And I think that's why everyone watches this so closely. That's why we care so much about it. And that's why we are determined to continue to be present and engaged in that discussion.

On Korea, North Korea, in particular, China's overriding interest is to prevent a conflict on the Korean Peninsula. And I think ... And they don't want to see disruption to their own national program coming from the Korean Peninsula. That said, they want to maintain their influence with North Korea, and they would like to see a diminishment of U.S. military and U.S. Allied presence on the Korean Peninsula and elsewhere in the region if they could manage that.

But I think the overriding motivation in the earlier parts or the last couple of years running up to where we are today, has been their fear of conflict or chaos on the Korean Peninsula. And so when Kim Jong Un was shooting off missiles and testing nuclear weapons on their border, they became quite exercised and I think that manifested itself in Chinese willingness. Plus we did a lot of work with them to get them to pass these very strict UN Security Council resolutions. And when that wasn't seemingly enough for Kim Jong Un and he kept testing, they really did tighten the screws on a lot of the economic activity back and forth. Which helped get us to a point where you see now, I think it was announced this morning, the North Korean economy actually did contract last year, according to the South Koreans.

And that is the pressure that is part of this maximum pressure campaign. In addition to other things; diplomatic pressure, military pressure, etc. But it's no doubt in my mind that that was the crucial ingredient in getting us to a very much tighter pressure on North Korea.

David: Mike, one minute analysts answer, not a policymakers answer. We're in what the people are increasingly calling trade war with China. And the President's betting that the Chinese need us, need the ability to trade with us more than we need them. Just give us a very quick summary of what you think is the Chinese economic need for trade that might make them pliable on this in the end?

Mike: Trade is very important to China. Trade with the United States alone is not that significant in terms of its overall economic wellbeing. We have to remind ourselves that its overall economy, although trade with the United States is a key part of that, it's not the leading and the only outlet that they can depend on. In terms of when we think about leverage on China on trade. China doesn't want to trade more with the United States. China ... It's interesting in their rhetoric most recently, unlike in the early stages when the administration was talking about trade sanctions, they seem to be moderating that rhetoric. I think with a sense to moderate the nationalist blow back so they don't have to overreact to the U. S. actions.

I think they're probably scratching their heads trying to figure out what the next move will be, understanding what is most important to us. [inaudible 00:48:48] in particular. It's probably important as well to save face. That you can't be seen responding to an economic problem just by the demand of a foreign country. Has to be able to explain it in ways that actually can be beneficial to the Chinese economy for what they're trying to achieve.

Speaker 2: David, can I comment on the trade please?

David: Yes.

Speaker 2: Singapore is such an important global trading player. And trade is three times our GDP, which is dramatic. There are obviously these trade tensions, and obviously the trade relationship between the U.S. and China has become unbalanced. There's no action about that, since China joined the WTO, their relativities have changed. There has to be adjustments that have to be made. I think for smaller countries, for the rest of the trading world, we like these things to be done within multilateral environments.

The U.S. is very powerful and can deal with China one on one, as they can deal with others. But there are multilateral frameworks which are actually much more useful for the U.S. to maintain as well. And to deal they may be slow, let's work together to fix them. Rather than to break everything because you want to handle the China issue.

David: Let's go to the audience. My colleague, Josh Rogen, right here in the middle.

Josh Rogen: Thank you so much, great discussion. Josh Rogen, Washington Post. I have two quick questions. One for Michael Collins, and one for Secretary Thornton. First of all, thank you both for your service. Michael, you said something I though was fascinating and important. You said that what they are doing is waging against us was fundamentally a cold war, even you don't call it a cold war, that's what it is. I find that important because what you often hear from the China-watching community in Washington is that oh, well we have to avoid a cold war with China. And that leads to all sorts of policy implications.

But if the Chinese Communist Parties have already decided that they're waging a cold war against us, it seems to me that we have only two choices, to fight it or to not fight it. In other words, to win it or to lose it. So I'm wondering if you can talk about the implications for policy of what if it's true, what you just said, that the cold war is on.

And Secretary Thornton, as you know, you've been a lightning rod for discussions about the Trump Administration's internal debate over China policy. Steve Bannon famously disparaged you, frankly, and said he was going to get rid of you but then he got fired. Then Rex Tillerson convinced the President to give you the job permanently, then he got fired. Now Secretary Pompeo has decided to go a different way and you'll be retiring after a long and distinguished career in foreign service.

Speaker 3: In five minutes, actually, according to the sign here.

Josh Rogen: My question is, as you look back on that, what do you think? Were you treated unfairly? What does it say about the China debate inside the administration around Washington? Thank you.

David: Mike, and then Ambassador.

Mike: Yeah, I appreciate the questions. Recall when I used the word, I didn't use it in the dyadic sense, so I didn't say there was a cold war. Nor do I say the Chinese are actually using that term. And the Chinese publicly criticize those who think more broadly about the nature of the threat that the Chinese pose, and what we need to do about it, as exciting and drawing up fears of a cold war. But by the terms that they are using, the applications of power they are employing, and the importance to succeeding in a rivalry they define with us. They'll accuse us of looking at this in binary zero sum terms. That's exactly how they're describing it. However, I'm calling them a degree out on that.

And the avoidance of conflict. It's a far more subtle approach, a far more quiet kind of cold war approach. I'm using that term as a definition of what they're doing, not the term that they're using. But I think it's important for us to appreciate that in response, when we think one, the significance of what this

really means. The only problem I had on the South China Sea issue, when you think more broadly what South China Sea means, I would argue it's the Crimea of the East.

For all that we talk about the implications of what happened in Ukraine, for our problem with the Russians, for all that manifested in terms of our alliances, our commitments, our credibility, I would argue what's happening in the South China Sea is very similar. And more attention needs to be paid to that as well.

Last point, to the Ambassador's point, I couldn't agree more, economic diversity is critical. If we're going to succeed in South China Sea, if we're going to succeed in what they're doing in their cold war aggression against us, that we have to have a multilateral progressive positive story on economic diversity. That we and our partners can bring to the region to allow them to withstand economic coercion from China.

David: Secretary Thornton, life is a lightening rod on China.

Sec Thorton: Yes. Let me just comment for a second, if I could, on the previous question. Which is I think we need to look in the era of globalization and how the Chinese system mismatches with the rest of the world. And figure out how to bring them into more convergence. And that's the rules-based order that we have talked about. There are so many areas now that we've never had to confront before. Not to say with a near peer competitor like China. Cyber is one that we've talked a lot about over the last couple of years. But there are many, many others; migration, law enforcement, cross-border crime.

And the Chinese are starting to think about, talk about leadership of the international system. That they want to make the rules. We don't know what rules they want to make, but we really need to have rules, and we need the rules to have different countries playing on the same level playing field, competing fairly. So I think this is a huge challenge. We have an open society. That's an asymmetric advantage for them. There's no question about it. And much of the things that we talk about come from that inherent advantage that they have. But they have a lot of disadvantages too, and we need to think more about how we're using those opportunities, and other opportunities that are presented by China's rise.

So I don't want to end on a negative note here. I China's opportunities present a lot of positive prospects for not only the United States but the rest of the world. I would say that we do need to work with all of our allies and partners if we're going to confront it successfully. And we've had a hard time doing that.

Life is a lightning rod. You know, I work on Russia and China. So I signed up for this. I think the world of the people in the U.S. government that work on these difficult, hard target countries: Iran, Cuba, Russia, China, there are others. It's

not easy and we do it because we are great patriots and we love what we're doing. And I've loved every minute of it. So, thanks.

David: Take that, Steve Bannon. This gentleman here, and then let's try to get one more ... The gentleman here and then the woman, yes ma'am.

Speaker 4: Yes, thanks. Bill Gertz with the Washington Free Beacon. I'd like to ask you to look back a little bit. One of the debates in foreign policy circles now is whether the benign view of China which the U.S. had for so many decades was wrong. And I'll preface that by saying that for years, the Pentagon said China's military was really only looking to be able to retake Taiwan. And now we see that they can blow up most of our satellites and take over other parts. The CIA missed a number of strategic developments in China, and the State Department's view was if we just traded with China, that would have it evolve into a more democratic state. I think Foreign Affairs had a piece recently which talked about this debate.

Michael and Susan, what do you think about that? Did the U.S. intelligence community get China wrong? And did the State Department policy get it wrong as well?

David: I'm going to collect the three questions. Ambassador, yes, you and then Jamie behind you.

Braz Amb: Yes, thank you. I'm the Brazilian Ambassador. That's to say a country which has \$60 billion of Chinese investments in less than ten years. And at the same time I'd like to, based on my experience as Chairman of China-Brazil Business Council, before for five years. I would like to make three quotes. Kissinger says that there's not alternative for cooperation. No alternative is a world-wide catastrophe. You said, and I like very much your mention that China is a genuine peer. And third, I'd like to mention, Mr. Coats yesterday, when he said 'If China wants to merge, it has to compete.' Let's assume that China will compete. And I think they'll have no alternative, because they are being encircled by a series of pressures.

In case they compete and the dynamics they've made approach the United States, my question is would the American people be prepared for a [inaudible 00:58:10] or for a shared supremacy?

David: Great question. Jamie [Terabay 00:58:15], last question and then we'll go to the panel and get each responses to whatever you choose from this.

Jamie: Thank you, Jamie Terabay from CNN. While we are here, [Che Zhin Ping 00:58:26] is on his fourth trip to the African continent. China is Africa's largest trading partner. Not only does the continent, he's going to Senegal, Rwanda, South Africa and [inaudible 00:58:40] as part of his fourth trip. It's really extraordinary to the region. Not only do they trade, they provide China with raw

minerals that are very important to it. And they also form a pro-China political block in the UN. So my question really is when we talk about the rules and changing the rules, making rules that we might not particularly like, how do we combat that when on the global scale and at the international body level we see these pro-China blocks forming that will serve China's interests. Thank you.

David: So let's go back to the panel, starting with Marcel. Then we'll come down the line toward me. Bill Gertz' question was the benign view of China. The Brazilian Ambassador's question basically should Americans just accept that we're going to live in a joint, shared condominium. And finally Jamie's question, what about this pro-China block in the world. Marcel, start us off and then we'll come back to Mike.

Marcel: I'll take a crack at Bill's question. I'm not sure that we ... I think we may have been a little late to recognizing the threatening aspects or concerning aspects of China, but I don't think we're too late. I mean from my time in government working defense issues, the four Secretaries of Defense I worked for, despite being daily distracted necessarily by the counter terrorism campaigns of the last 16 years, were always focused on how to understand the changing nature of the China threat, and how that paces our need for innovation.

And that indeed goes back to even Donald Rumsfeld, pre-911. So I feel comfortable that at least in the security context, there has been a heavy focus on it. Now the question going forward is Paul Selva, the Vice Chairman of the Joint Chiefs, just a few weeks ago said we risk being outpaced by China as soon as 2020 in terms of some of our key technological advantages. And so we have to really redouble our efforts to understand what the nature of that pacing threat is in the security context. And put our best and brightest energies towards ensuring our advantages don't erode. And that we can actually outpace the Chinese in key areas of strategic interests for us.

David: Ambassador?

Braz Amb: Well, two very quick points. One is having been here for six years, I think the strength of the United States remains its open society. And you want to reinforce that. You want people to come to your universities. You want people to come to your schools. You want them to connect with you. And that is ... That's not saying that China has a huge advantage because they're a closed society and therefore they'll outpace you. This open society is where I see young people from Southeast Asia all joining the queue wanting to come to. They want to be here. And connect with you. And on the question of geopolitical blocks; geopolitical blocks can always be balanced out. And that's where the U.S. out there to play a role, to offer an alternative, to offer standards to come into play. I think that's a critical part of this.

David: Madame Secretary.

Sec Thorton: Yeah, I mean, I feel very confident about the ability of the U.S. to compete with China. I described some of the brittleness that I see in the Chinese system. I think that we have to remain true to our principles, we have to work with our allies. I think the Chinese are very good at taking advantage of asymmetric advantages. They're also very good at taking advantage of opportunities which I think they may have been able to do in the recent past, with our ... As someone mentioned, focus on the Middle East for the first part of the 2000's. And then following that, the financial crisis.

And I think we have to get back to what we do well. Our soft power is incredibly more powerful than the Chinese soft power. They don't really have that same kind of attractiveness that the U.S. system has, and it's because I think our partners around the world know that we stand by them and that we aren't going to try to impose our interests or our will on them. That we'll work together with them.

David: Mike, last word.

Mike: I think I'm just going to work backwards from the questions to get back to where I actually started to state the point again. When we objectively look at the threat from China, we objectively do not see China itself, nor the rise of China, nor Chinese people themselves as the threat, necessarily. What we worry about is the CCP direction and what the Communist Party of China is attempting to achieve and in increasingly coercive ways. I, too, am optimistic that in the battle for norms and rules and standards or behavior that the liberal international order is stronger than the repressive terms and standards that Chinese promulgate within China.

I would ask everybody to just imagine living China. Where you can't have venues like this, where you can speak critically about the administration. Where you have freedom of religion. Look at what's happening in places like Chin Jong right now. That kind of world, I'm confident that others will not want to necessarily subscribe to that. That's however what I'm saying is not in China, not Chinese people, it's the Chinese Communist Party is advocating.

Last point to Bill Gertz' question. Can't speak to classified assessments. It just goes a long way to say you don't have all the axis's you think you have in terms of understanding what the intelligence community knows about this issue. I will say, however, it's a very good question. But it's a larger question, about the international system. And what is it that has happened in the international system? In response to China? Positively or negatively over time, that I would argue has been a big factor in explaining why the ambitions of the Chinese have so expanded. I describe it as a didactic evolving aspirations the Chinese have. That is, they are learning to be more coercive, learning to be more aspirational, learning to be more assertive by what they're getting away with.

911 is just the one example of where the international community had to shift attention to something else, and the Chinese drove through that decade to especially expanding where they are. So that's a long way of saying there's things that happen in the international system, things that happen in governments that I'm certainly not responsible for objectively analyzing, that help to explain I think to some degree the speed and expanse with which the Chinese have gotten to where they are today.

David:

Apologies to the forum for our having overrun our time limit. But it was an interesting discussion. Headline of the event is the South China Sea is the Crimea of the East. Thank you very much, panel, thank you.

PART 3 OF 3 ENDS [01:05:28]