

## China 2025: Keynote I: China's Rise: Strategic Implications for Asia

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SIMON TAY: Good morning everyone. I'm Simon Tay. It is my pleasure to be here, and thank you very much Liz and Randy for inviting me.

I want to say a few words before I introduce the speaker Aaron Friedberg. First, I want to say that my perspective -- I'm very honored to be here, but my perspective is a bit different from others. I'm from Southeast Asia, I'm a Singaporean Chinese. But really, I look mainly at ASEAN. Therefore, to be here at largely a U.S.-China discussion, I think, about the future of China is an interesting perspective.

It seems to me that sometimes we fluctuate. I've been at Shangri-La Dialogues in Singapore where the Secretary of Defense Donald Rumsfeld has also been and come to the table and talked about defense spending by China, even though this country spends more money than China does. On the other hand, the last time I was in Washington, D.C. was just the week before the start of G-2 financial insurgency meeting, which I thought was a very interesting and different approach -- though started at the end of the Bush administration -- an interesting approach by the Obama administration.

I've also recently been in Beijing where officials said to me - very interesting - "President Obama. He seems to be very nice to us -- when is he going to get tough?" So, I think that this relationship -- the view of America about the strategic implications of China's rise or China's future will be very interesting.

The speaker, Aaron Friedberg, is the right man to get us off on the discussion to look at the future of this strategic question. Both a scholar at Princeton, but also with experience in administration, Aaron Friedberg I think will give us a great insight into his views.

For myself sitting in ASEAN, I would say the last decade has been marked by a great effort by China to move from a situation where we were alarmed by them to one where in many papers we were charmed by them. However, I think in the last few years, this question of charm has again shifted somewhat. Rather, there is a question mark among Asians about the future of China's rise; and therefore, I listen with great attention just like the rest of you.

Aaron, please.

AARON L. FRIEDBERG: Thank you very much Professor Tay. Let me say I'm delighted and honored to be here, to have been asked to participate in an event with so many distinguished participants and such an impressive audience. I want to thank, as others have, Randy and Liz for inviting me to take part.

As its title suggests, the purpose of this conference -- at least as I understand it, is to look forward roughly 15 years into the future. And needless to say, this is impossible to do; certainly with any assurance. We simply don't have theories or models or crystal balls powerful enough to allow prognostication about anything as complex, as massive, as diverse and as rapidly changing as China, to say nothing of Asia writ large. So the best I think we can do is to try to identify some of the factors that we believe or have reason to believe will be most important in shaping the course of events and to speculate about how they may interact with one another.

As regards the future of Asia, I would put, at the top of my list, the issues discussed by the previous panel. What happens in China, whether it continues to grow in wealth and power, and if so, at what pace? And whether it continues to be ruled by a one-party regime or evolves towards something different -- perhaps something more democratic, will go a long way towards shaping the future of the region and indeed, the rest of the world.

A close second and a closely-related factor, in my view, is the character of the relationship between the United States and China. If tensions between these two Pacific powers grow, all of Asia and perhaps other regions as well could be divided into something that might resemble a new Cold War. On the other hand, a deepening U.S.-China entente would bring with it increased possibilities for sustained global economic growth, the peaceful resolution of outstanding regional disputes and the successful management of pressing global problems.

At present, I think it's fair to say that the Sino-American relationship is profoundly mixed. It contains important elements of both competition and cooperation. Contrary to what is often suggested, I think the competitive aspects of the relationship are in fact deeply rooted. They're not merely the result of misperceptions or misunderstandings or policy errors, although these do contribute on both sides. They are instead, I believe, the product of two fundamental features of the contemporary international system.

The first is the rapidly-changing distribution of power. Throughout history, relations between established powers and fast-growing potential challengers have always been fraught with tension, suspicion and often open rivalry. Dominant powers are generally reluctant to surrender their privileges while rising powers are drawn to challenge existing hierarchies of influence and prestige that were put in place when they were relatively weak. Now, none of this means that a Sino-American conflict is inevitable, but I think it does help to explain the presence of a strong impulse towards rivalry between the two countries.

The second factor is ideology. In the case of the United States and China, the effects of this impulse due to the structure of power, are amplified by the differences in the character of the two domestic political regimes. I could go on at length about this, but I think it's fair to say that the American people, the U.S. government are not inclined to fully trust a government that they see as secretive, repressive and undemocratic. And in my view, they are right to do so. And China's current leaders suspect that the ultimate aim of American policy is to see them displaced from power albeit by peaceful means. And in a sense, they are right too.

It's hard enough for a rising and a dominant power to manage their relationship peacefully; and the ideological gap that separates the United States and China, at least for now, makes the task far more difficult. If over the next 15 years China continues to become wealthier and more powerful, but its regime remains essentially unchanged; in other words, if it continues along the trajectory that it's currently following -- and it very well may not -- the competitive aspects of the relationship are going to grow more prominent. And the cooperative elements, although they will remain, as a whole will be a smaller part and perhaps a less significant part of the overall relationship.

China, in addition to everything else, presents the United States with an unfamiliar intellectual challenge. For the better part of the 20th Century, and certainly during its second half, Americans have had the luxury of dividing the world up at least in their minds into two camps. On the one hand, friends, mostly fellow democracies who were our allies, and also our major trading partners, and on the other hand foes, mostly non-democracies with whom we talked little and traded less.

At this point, China is neither friend or foe or rather, in certain respects, it's both. It is an emerging strategic rival with an authoritarian regime that happens also to be one of our most important commercial partners and diplomatic interlocutors. And this unfamiliar condition, I think, creates a kind of cognitive dissonance which individuals tend to resolve by focusing on only one aspect of the picture or the other. And I would say, overall, our political and commercial elites in this country have tended to focus on the cooperative elements of the relationship and to downplay or to ignore the competitive.

Despite this difficulty, since the end of the Cold War, the U.S. government as a whole has managed to develop a reasonably coherent strategy for dealing with China. This didn't emerge from some rational, comprehensive process of analysis and planning, it is nowhere codified in a single document like NSC68; rather, it has evolved and grown organically over time.

And this strategy consists of two elements -- one, most obviously engagement, economic, diplomatic, societal at every level attempts to engage with China. But also, at the same time, balancing or hedging -- the previous administration used that term, what Chinese observers sometimes refer to as containment. Maintaining U.S. forces, U.S. bases, U.S. alliances, and quasi alliance relationships sufficient to ensure a favorable balance of power even as China's capabilities grow.

And although policymakers certainly don't use these words to describe them, I think that the U.S. strategy for dealing with China has essentially two goals. The first is, for lack of a better term, to tame it, to encourage it to adjust its objectives, its policies so that they coincide more closely with our own; making China a responsible stakeholder in the current international system. The second goal, in the long run, is to encourage China's political transformation, albeit by indirect means -- to promote its eventual transition from one-party, authoritarian rule to liberal democracy.

And American presidents used to be more candid or perhaps less diplomatic in blurting this out every so often in front of Chinese counterparts. And I think we were somewhat surprised to find that they didn't like to hear this. Obviously, it implied that they would be put out of a job. But I think that remains at root an important objective of U.S. policy.

The implicit U.S. long-term vision for Asia, again largely unarticulated, I don't want to claim that this is something cast in stone; but I think it's rather like the U.S. vision for Europe after the Cold War -- Asia whole and free, a region filled with democracies, tied together by trade and political institutions, fully integrated into an open international system; and with the United States retaining a significant presence and continuing to play a vital role. This mixed strategy that I've described has proven to be quite durable. It has survived several domestic political transitions in this country, from Bush One to Clinton, to Bush Two, and now, I think, to Obama. I don't expect that there will be major shifts.

And it's also proven resilient in the face of a number of crises and confrontations between China and the United States.

Not surprisingly, China's current leaders appear to have a very different vision for Asia; and a distinctive set of goals for their relationship with the United States. First and foremost, China's present rulers want to ensure the Communist Party's continuance in power. They see it as essential not only to their own wellbeing and that of their children and extended families, but I think to one degree or another they sincerely believe it is essential to the stability and the security of their country.

The second related objective is to see China emerge eventually as the preponderant power in Asia, certainly in East Asia. I think the current leadership, and not only the current leadership, see this as their country's rightful place historically. The pursuit of these goals also bolsters the legitimacy of their rule - making them the flag bearers and defenders of Chinese national pride. And its eventual achievement, if they can achieve it, will further enhance the security of the regime by enabling it better to block or minimize potential threats - including cross border support for Chinese separatists, and the potential contaminating presence of a prosperous democracy along China's immediate land frontiers.

And it will help -- although it won't solve the problem for them, to prevent others from developing capabilities to interdict flows of vital materials and especially energy.

Acquiring a position of reasonable preponderance means by definition a relative diminution in America's role. Whether it requires the complete removal of U.S. forces and the dissolution of U.S. allies or alliances along China's maritime periphery or merely a reduction in their size and significance is likely to become a topic of increasing debate among Chinese strategists. There is some indication that this debate is already under way.

Beijing's vision -- and again, I'm referring to the current leadership only, their vision for Asia is of a region safe for the continuation of CCP rule, with China stronger than any other regional power. Possible counter-veiling coalitions of regional powers precluded or broken up; Cold War alliances weakened or dissolved; a new set of regional economic and political structures to replace the old, which are centered on China rather than the United States; and outside powers, non-Asian powers, in other words the United States, pushed to the margins or out of the region all together.

Now of course, it's one thing to have such a vision, quite another actually to achieve it. Chinese analysts sometimes describe the United States as pursuing what they call a two-handed strategy

towards their country. Engagement, which they see as actually intended to undermine their rule and what they refer to as containment, which they believe is meant to check their rise.

But they have also devised a two-handed strategy of their own for dealing with the United States.

On the one hand, hold the Americans as close as possible -- cultivate economic ties, these are good for China, they may help to constrain the United States from responding too vigorously to the ongoing erosion in its position. And if there are imbalances of certain sorts, they could provide China with some diplomatic leverage. Cooperate wherever possible on issues of mutual concern; and at a minimum, maintain the appearance or the promise of cooperation in areas of particular interest to the United States. At the same time, work quietly but assiduously to weaken the foundations of the American position in Asia. I think to a large extent, obviously not entirely, the future of the region is going to be determined or shaped in large measure by the outcome of the collision between these two contending visions and opposing strategies.

So where do things stand now and where do they appear to be going? In the interest of time, I'm going to just say a few words about the American perspective or an American perspective -- my perspective. But it would be very interesting to look at the other side of the equation and ask how things appear from Beijing. Regarding the engagement portion of our mixed strategy, as we've heard, despite three decades of rapid growth and increasingly close interaction at all levels with the outside world, China shows few signs of movement towards meaningful political reform. To the contrary, much of the best recent scholarship on China, especially that of my former Princeton colleague and friend Minxin Pei, has emphasized the surprising resilience and adaptability of the CCP regime.

Its ability -- again as we heard earlier, to deflect or diffuse serious challenges to its monopoly of domestic political power. This could change and perhaps quite subtly, but it shows few signs of doing so at present. What about U.S. efforts to tame China, again for lack of a better term? There is no doubt that there is far more dialogue on a far wider range of issues than was true 20 years ago. And there is clear evidence of meaningful cooperation on at least some of these issues. But the notion that engagement has altered the current regime's objectives or brought them completely into alignment with our own, I think is wide of the mark.

In the case of some of the most widely touted instances of Sino-American cooperation, despite a great deal of enthusiastic rhetoric emanating from Washington, there is much less than meets the eye. And I'm thinking here particularly of the seemingly endless standoff with North Korea where the Chinese have been very helpful in setting the table, and we've praised them repeatedly for doing so; but have refused to participate in serving the meal, if you like, and actually solving the problem.

Since the end of the Cold War, there have been several attempts to find a sort of moral equivalent for the Cold War -- a threat or a challenge that would force the United States and China together as the Soviet Union did in the 1970s and 1980s. After 9/11, that was supposed to be terrorism and proliferation; today, I think increasingly it's perceived to be the danger of climate change. There is every reason to hope and to work for such cooperation mind you, but there is reason also to be skeptical that its pursuit will fundamentally transform the Sino-

American relationship. All of that, in my view, points to the continuing importance of working to preserve a favorable balance of power in Asia even as China's strength continues to grow.

The United States and its allies start with some considerable advantages in this regard. The U.S. has an array of security partners who share its interests in maintaining a balance, including traditional allies like Japan, Australia and South Korea; new or relatively new quasi allies like Singapore and India; and possibly over the next 15 years, other partners as well, including Indonesia, conceivably even Vietnam.

We also continue to enjoy a significant edge in military capabilities, especially in our ability to project military power into the region. But in my view, we cannot afford to take these advantages for granted or to assume that they will persist indefinitely without substantial effort. All of the partnerships that I've mentioned are going to require careful tending over the next 15 years and beyond. And some of the most important among them may turn out to be quite difficult - including the relationship with Japan and, for various reasons, the relationship with India as well.

In addition, we and our allies are going to have to expend significant resources in order to counter and offset China's rapid and continuing military buildup; and this will not be easy. We are going to continue to be preoccupied in this country for some time to come with the problem of terrorism, and the stability of the Middle East and Southwest Asia. We now have the lingering after-effects of the financial crisis which will impose strong downward pressures on defense budgets. And as is true today, there will be sincere and to a degree, in my view, appropriate concerns that if we react too vigorously, we will endanger the cooperative aspects of our relationship with China.

My concern is that if we don't respond in a prudent and measured way, by 2025 Asia is going to look a lot less like we envision it and would like it to be, and much more like what China's present rulers hope that it will become. Thank you. (Applause.)

TAY: Well thank you Aaron. That was a very interesting summary of, to my mind, a provocative position. And you focus mainly on Asia rather than the possible global competition. Could I lead off with the first question and then open it to the floor. You focus a lot on the harder political and military aspects of a strategic competition. Could I ask -- in thinking about the economic underpinnings, and particularly, in the context of the crisis, we see China continuing to grow. We see China continuing to enmesh roughly Asia economic ties. There are concerns that with their own domestic issues, America will give less attention and also have less ability to continue to be interdependent with the region economically.

FRIEDBERG: Well, I share those concerns. And I would add to that, that there is an additional potential problem at least, which could originate in the United States; and that is the possibility of a return to protectionism, or the refusal to move forward, the inability to move forward, for example, on a free trade agreement with South Korea. I do think that it is in China's interest for other countries in the region to have it as their major trading partner. And I don't think there is anything necessarily wrong with that from the point of view of the United States. But I think in order to counterbalance the effects of that natural attraction, because of China's increasing mass and economic importance, it's also very important that the United States remain open and competitive so that others in the region have partnerships in the West and continue to have

strong interests in trading and investing in the United States and vice versa. But I don't think that's a sure thing.

TAY: It is not a sure thing.

A question or comment anyone?

Elizabeth Economy, further?

ELIZABETH C. ECONOMY: Thanks very much. And thanks for a great presentation Aaron.

I guess what I'm wondering is from your perspective and maybe Simon you want to weigh in on this as well. How do the people in Southeast and East Asia look at the United States and China in what's going on? Do people in Southeast Asia -- the leaders have a preference for whether it's the United States that's so deeply engaged, or whether it's China? Is it going to make much of a difference to them looking forward?

FRIEDBERG: Well, I think there is a lot of variety, as you go throughout Asia, Northeast Asia and maritime Southeast Asia, around to South Asia, so it's hard to generalize. I was interested to hear Professor Tay's comment about attitudes in Southeast Asia because that conforms to my own perception, which of course is not based on nearly the kind of insight that Dr. Tay has. But there has been a shift in parts of Southeast Asia from the '90s worrying about China; and then for a period after that, being enthusiastic about the economic opportunities, now back to some increased anxiety.

And I think there is going to be a natural tendency as China continues to develop its military capabilities, for countries particularly in Southeast Asia to be concerned because that is the natural direction, I think of those developments outwards to see the gigantic underwater submarine base at Hainan island got a lot of attention from people because it's right on to the opening of the South China Sea.

So I think there is going to be more concern. If you read the Australian white paper, which I found a really rather surprising document, that goes on at length about the importance of maintaining a U.S. presence, and a balancing role; but expresses very openly a concern that the United States is either going to be unable to do that or for some reason perhaps unwilling over the long run. And that as a result, Australia needs to build up its own military capabilities. And you hear this of course in India as well. It has been an interesting change, I think in South Korea, which is associated with the change in government there but not exclusively, from a great, I would say, infatuation with China and the growing importance of China's economic problem, now tempered by some concern about China's long-term goals regarding North Korea. And more interest than there was or that I would have predicted a few years ago in strengthening and maintaining the alliance with the United States.

In my view, the key piece of this puzzle is Japan and the U.S. relationship with Japan. I'm not an expert on Japan, but my impression is that the previous administration and others before it worked very, very hard to increase defense cooperation, strategic cooperation; and to bring that to something more resembling a normal alliance with the two really collaborating and sharing

the burdens. And it was able to do so in part because of changes in political attitudes in Japan; and particularly skills of Koizumi and the people around him.

But now it looks like things may be going back in the other direction. Japan is becoming increasingly caught up in its internal problems and unable or unwilling to play this larger role. The one thing that has changed, I think, in the last say 10 years, including the last five years mostly, is that China's policy towards Japan has become much more sensible. Previously, for various reasons, Chinese leaders repeatedly criticized Japan for its refusal to acknowledge its history and so on; and really kept up a drum beat of criticism, which I think stirred even greater anxiety than was already there in Japan towards China.

But now they've turned, and at least for the time being, they've become much more forthcoming and friendly with Japan. And that makes a lot of sense from their perspective. And I think that's going to be a very important relationship for us to watch.

TAY: I know I am not a speaker, but Liz asked me -- have some perspectives and so does Aaron. And my views do differ quite sharply so I should just say a few words. First on Japan, actually most of us in Southeast Asia are looking past Japan. Diplomatically, Japan has played a very bad hand over the last five to seven years. If you look at the efforts to try to get themselves a U.N. Security Council seat, nobody in Southeast Asia supported them unequivocally, except my own country and I believe Vietnam.

Despite years of trying and giving donations to ODA, Japan really has not played on the same level as the Chinese. So I read this change, which I agree with Aaron of the Chinese policy towards Japan as simply now saying, since I'm so far ahead of you, I don't need to be bashing you on the head. The second point, on which I think Aaron and I do agree, is that there has been a shift in Southeast Asian views. Where we do need to see that shift really mature is, as he said, the ability of America to offer an interesting, attractive alternative.

The Obama administration, in a sense, has a window to win back a lot of support in Southeast Asia by both his particular soft power and America's still very real economic and other powers. And so I'm looking forward to the U.S.-ASEAN summit, which will be the first, I think, U.S.-ASEAN summit held in the shadows of the APEC meeting, held in Singapore. I've said enough.

The gentleman, you had your hand up first.

QUESTIONER: Richard Gardner, Columbia University. How do the Chinese see our struggle against al Qaeda and the Taliban in Afghanistan and Pakistan? How do they perceive their interests in this? And are they in a position to be helpful in some way?

FRIEDBERG: This is an area where, as I mentioned just very briefly, I think there was some hope in the United States and elsewhere that there would be a greater convergence of interests between the United States and China in dealing with the problem of terrorism than in fact there has turned out to be. And that's in part a result of the fact that the Chinese concern is at this point almost exclusively regarding developments in their western provinces and along their frontier. They're not interested in what's going on elsewhere nearly to the extent that the United States has been.

I would say also that if you read a fairly broad assortment of commentary in China about what the United States is doing, there are people who say very openly that it's a great thing for the United States to be preoccupied with other problems. And that if not for 9/11 the United States would have focused much more heavily on China as a potential rival. I think the idea of the 20-year window of opportunity which people talk about in China -- started talking about I believe in 2002, is related to this sense that the Americans are going to be occupied elsewhere.

The one issue that I think is -- well, let me say two other things. There was concern immediately after 9/11 and there is still some that the United States was creating for itself semi-permanent military facilities and a military position in Central Asia, where it had never been before on China's western borders. And several people mentioned the conspiracy theories -- there are people in China who would say 9/11 was just an excuse, what the Americans really wanted to do was to set up air bases in Kazakhstan and so on. And there is some of that, but I think there is also more confidence that in the long run it will be very difficult for the United States in fact to maintain that position.

The big question in my mind is Pakistan. And of course, Pakistan has been a major client of China's, and continues to be, and I think the Chinese government didn't have a lot of choice initially when the United States became engaged in Pakistan in order to fight in Afghanistan; and may have hoped that the U.S. would help Pakistan deal with some of its internal problems, which in the long run would benefit China as well. This is anecdotal, but I sense that there is some concern on the part of people in China about what's happening in Pakistan. And my indicator of this is going to meetings where Chinese colleagues will pull me aside, and say what are we going to do about Pakistan, which is a conversation that I've certainly never had and never heard of anybody else having. That really makes me worried about Pakistan because it suggests that the Chinese are concerned about it too.

QUESTIONER: Susan Levine, Marshfield Associates. You said in your comments, which I found very interesting that underpinning the U.S. policy towards China for many administrations has been this desire to see China's political system change. And you also said how flexible and adaptable to certain -- (inaudible) -- that the Communist Party has been. Do you think if we changed that attitude towards China it would -- what would happen? What would be the impact within our relationship and the relationship of China and the rest of Asia?

FRIEDBERG: Well, in a sense I don't think it matters what we say or what we do, it's what we are that is a concern. Of course, the Chinese leaders would rather us not lecture them about human rights and so on. And they're perfectly happy if we're going to back away from that as the current administration has indicated very openly that it's going to do. But I don't think that means they believe that our long-term objectives or wish for their future development is any different than it once was. So I think they continue to be concerned about it. Probably if we said -- we've said about as openly as I can imagine any American official saying it, the more we say it, the more they suspect it's not true, would be my guess.

TAY: There are quite a few questions and hands. If I could suggest, Aaron, we'll take a few. Then you can pick and choose the comments. We'll also have a better gauge of the time we've got left. I've got a few hands -- two ladies over there, the gentleman in the back, the middle; and then one in the back. So take four in a row.

QUESTIONER: Theresa Barger. For much of recent history, people have relied on markets and market clearing prices for access to raw materials. To what extent has the new Chinese push to actually have state-owned enterprises, state-owned actors own these minerals; and perhaps up the ante in a future rival-risk conflict?

TAY: And the lady just behind you.

QUESTIONER: Anne Karalekas. The panel this morning addressed China's domestic issues and some of the underlying challenges or instabilities surrounding economics, internal security, health care of the minorities. How would you assess the impact of China's domestic circumstances on its foreign policy and on the thinking of decision makers within China?

TAY: The gentleman right here in the middle.

QUESTIONER: Given the wide perception that the economic problems had their genesis here in the United States, to what extent do you think that the Chinese economic development model and their governance model has become an important factor in Asian and Africans attitudes about that model versus the Western model? And to what extent do you think it's changed the soft power relationships between the United States and China in East Asia?

TAY: And then, right at the back, I saw your hand just now -- the young gentleman, yes.

QUESTIONER: Carl Minzner, Washington University in St. Louis. I just wanted to get your perspective on a part of China's relationships with Asia, which often go overlooked, and that is Russia and Siberia. I'm kind of curious particularly there because it seems like in contrast to many other places in Asia, you've got a crashing population on the Russian side, immigration from China, large natural resources, and potentially global warming that makes that area more useful. What do you see for the future in terms of Chinese-Russian relationships on that issue bilaterally; and then also, the United States relationships with both countries?

FRIEDBERG: How much time do we have?

TAY: We've got about 15 minutes.

FRIEDBERG: Okay. These are all outstanding questions about which one could talk all day. Let me start at the back and then work through them. On the question of the relationship with Russia, of course this has been highly beneficial to China both for strategic reasons. Russia has been a major supplier of arms and technology to China; and also, because of the potential at least for access to energy and other resources.

China, I think, would like to develop that relationship to the extent possible to sort of suck all the useful things out of Russia. And there is an undercurrent at least in some circles in Russia of concern about the imbalance in this relationship and where it's headed in the long run. If not for the ideological affinity between the two regimes, both varieties of authoritarianism, I think there would be more of a tendency in Russia eventually to lean to the West. And I think that may be a long-term development, but it also ought to be something that we're open to and interested in cultivating.

And so, to the extent that we push the Russians eastward and exclude them from the West, I think it pushes them closer to China. In the long run, I think there is going to be tension between Russia and China.

TAY: I'm sorry, it's 10 minutes.

FRIEDBERG: Okay. On the question of the Chinese model versus the Western model on the issue of soft power, there is no doubt that the crisis and the perception which I take to be largely correct that it initiated in the United States has been harmful in a fairly general way to the perception of U.S. competence if nothing else. I don't know that that's going to have a long-term impact on people in other places and the choices they make about how to organize their societies. I do think there is a natural attraction for authoritarian rulers to the idea that you can have a monopoly on political power and also have the benefits of economic growth and integration into a global economy.

And the Chinese haven't been averse to suggesting that this would be a good thing for others to do. A friend of mine sent me an e-mail this morning about -- I think it was from yesterday's New York Times - about Russian comments on the Chinese model. He said well, they can have the authoritarian political party, but they don't seem to have the work ethic. And there are many other things that are required to make economic growth, but I don't think that many countries in the world can do anything close to what the Chinese have done. And I doubt in the long run that that model is going to be appealing to other countries that are presently more integrated with the West.

The question of domestic challenges and their implications for foreign policy, this is I think an extremely difficult and important problem; and I think you can argue it several different ways. I do think there was a tendency, at least a few years ago for many people in the West to say -- and for the Chinese themselves actually, to say we have so many problems, we are so preoccupied. We couldn't possibly do anything that you wouldn't like externally. We're completely focused inwards.

And I don't think that's true in part, as I mentioned, I think the pursuit of prestige and military power and so on, serves the purposes of the regime, and it's helpful domestically. There are some people who worry that if there was an intensification of trouble in China, that the Chinese regime might seek the opportunity to export some of that energy and anger that would otherwise be directed towards themselves by picking fights with others, with Taiwan, with Japan, conceivably with the United States. And that's a possibility that is not entirely predictable.

So I think there are reasons to think that that instability is actually problematic. In the long run, to the extent that this contributes to slower economic growth, and perhaps if the Chinese government gets serious about dealing with these problems, greater flow of resources towards dealing with them may slow the development of Chinese military power; and that wouldn't be a bad thing.

Raw materials -- owning your resources, the Chinese clearly are of two minds at least on the question of reliance on global markets for the most important resources and energy. In

particular, we tend to say why don't you do what we do, and rely on the market -- conveniently forgetting that we have a massive military presence in the Persian Gulf, and a Navy that patrols the sea lanes, and that guarantees our access, and could conceivably threaten the access of others. I don't think the Chinese are going to be content indefinitely to be in a position where they're reliant on us to secure their access to resources.

Overall I would say their inclination to buy resources in the ground is not a bad thing for the rest of the world, except to the extent that it bolsters some bad regimes. It's probably going to turn out to be a bad investment, so it's a waste of money. And it also is increasing China's stakes in other parts of the world and in maintaining a decent relationship with the United States and the West because they're becoming more vulnerable.

TAY: I think we're out of time, but I would be remiss not just to project something for the future, different from what Aaron said. I think that I need to talk -- rather alarmed that Aaron has in a way -- I don't often use this word, but seemed that there will be increasing competition; and he has actually described it fairly, given less value to the cooperative aspects of relationships.

Might there have been an alternative embedded in his own remarks with his idea of an EU like Asia, that Asia would be more full and more free. However, Aaron suggested that some of the Chinese thinking was that America must be on the margin of such a united Asia. Might not America in a sense realize and accept that there will be a more multi-polar world in which Asia itself will be more multi-polar, without necessarily having the sort of radical choice and competition between China on one hand and America on the other? Particularly from Southeast Asia, whenever we've offered the Chinese, we always like to say we don't really want to choose, let there be a good, protracted competition in the short term.

FRIEDBERG: Well, I'll take the final word, I think.

TAY: It was more of a question for you.

FRIEDBERG: Asia, without the active participation of the United States, is not multipolar. It is unipolar with China as the dominant power, possibly balanced to some extent by India. So, I think yes, there is a lot to be said for a more integrated region. And I think the United States, as I indicated, would favor that as long as it's an open region that's integrated with the rest of the world. And as long as the United States continues to have an important role there, which I believe most of the other countries in the region would like to see us play.

TAY: Please join me in thanking Aaron Friedberg very much. (Applause.)

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