

UNEDITED TRANSCRIPT

2018 US-China Forum — Diplomacy in an Era of Trade Tension

**MICHELLE
CARUSO-
CABRERA:**

So once again a reminder, we're going to be walking around with cards. So if you have any questions for our esteemed panelists, please put them on a card. We'll be collecting them. There will be people who are around that can bring them up to me and I will use them as we get to the Q&A of this. So this discussion is diplomacy in an era of trade tensions. And we have a really great panel. We should be very, very pleased to have such esteemed people here.

Former ambassador of the United States of America to China, Senator Max Baucus, Ambassador Baucus, great to have you here. Thank you. He was appointed under Barack Obama. Sitting over there is Joshua Cooper Ramo. He is the co-CEO of Kissinger Associates. His bio is not in the program, so I'm going to read a little bit of it in just a bit. But also, Ambassador Zhou Wenzhong, who is the former secretary general of the Boao Forum for Asia and ambassador extraordinaire to the United States. Good to have you here.

And let me tell you a little bit more about Josh, co-CEO of Kissinger Associates. You've heard of Henry Kissinger and all of that. He had an international bestseller called *The Age of the Unthinkable*. He's based in Beijing and New York. He's on the board of directors of Starbucks and FedEx-- he speaks Mandarin. I heard him upstairs, chatting away-- who has been called one of China's leading foreign-born scholars by the World Economic Forum. And he's best known for coining and articulating the phrase, the Beijing Consensus, among other writings on China. So this is going to be a good discussion.

Let's get started with something very, very basic. I think both of you heard my comments-- or all of you heard my comments at the top about what is the state of US-China relations. Ambassador Joe, what do you think is the state of US-China relations at the moment?

**ZHOU
WENZHONG:**

Look, next year will be the 40th anniversary of the normalization of US-China relations. And looking back, I think we have come a long way. And both sides have worked very hard for this relationship. And I think I have every reason-- maybe, I think, people down there would agree-- that we have every reason to make sure that this relationship will continue to make progress.

And so I really-- what is important here is that I hope people here will have a right perception of China. So after they talk about their views about current state of US-China relations, I want to follow that up.

MICHELLE

Ambassador Baucus, you used to refer to this relationship as cooperating rivals. I'm not sure

CARUSO- that that's the phrase a lot of people would use right now. What's the state of this, what is now
CABRERA: a very competitive relationship?

MAX SIEBEN I don't think it's very good, frankly, the relationship. It's interesting that Josh is here. When I
BAUCUS: went over to Beijing, I first sat down with Dr. Kissinger to get his thoughts. And he gave me a couple of things to think about. Second, I picked up his book on China, read that, which essentially became my Bible. He talks about different concepts-- Western, Eastern, [INAUDIBLE], for example. And second, he talks a bit about the Thucydides trap.

And one thing that very much struck me is he mentioned in that book about the British Foreign Service tasking the British Foreign Service Officer named Crow in 1907 to write a memorandum with the British Foreign Service about Germany. What's the future of Germany? That was his task. And he looked at Germany. He came back and he said, Germany can say they're the most cooperative, the most appreciative country. They want to work with Europe. They can say all the right things. It's all irrelevant, totally irrelevant.

What is relevant, Mr. Crowe asked. Essentially, two factors. One, Germany is a very large country. Second, it's a military power. Those two factors alone will determine Germany's future in Europe. And it should determine the course of Europe over the next 20, 30, 40, 60, 80 years. And of course, that's what happened. Dr. Kissinger asked the same question about China. Rising power, established power, pointing out many times in its history, usually it doesn't work out too well when a rising power collides with an established power.

MICHELLE That's the Thucydides trap? I always struggle to pronounce it.

CARUSO-
CABRERA:

MAX SIEBEN That's the Thucydides trap--
BAUCUS:

MICHELLE Right.

CARUSO-
CABRERA:

MAX SIEBEN --mentioned by Thucydides. Anyway--
BAUCUS:

[LAUGHTER]

Anyway, Dr. Kissinger doesn't answer the question with respect to China. And it was a central question I kept asking the Chinese over and over and over and over again privately. And as an aside, I very much agree with Hank Paulson, who said that the Chinese respect candor. Not so much embarrassed publicly, but privately. And a question always asked was, what are we to think, we Americans? You know, your GDP is doubling every 10 years. Your GDP is going to exceed that of the United States in 20, 30 years, maybe sooner. Your population is clearly already four times the size of ours. Your military spending is going up. It is doubling every six, seven years. What are we to think? What's the trend line? What are we to think based on what you say, much more importantly, what you do. Actions speak much louder than words.

So what are we to think? What are your actions that indicate to us that you want to work with us, United States and other Western countries? And what we see are actions that aren't very encouraging. South China Sea, for example, protectionism in US companies, for example, [? Jinjiang, ?] for example, civil repression for example. We don't see things that are really terribly cooperative.

Now, there are some areas where we have cooperated-- climate change, for example, President Xi with President Obama. That was a good start, although this country now has backed off a second. We cooperated in many other areas, you know, North Korea, Iran, sanctions, et cetera. Global health is another area. But add it all up, frankly, I am quite concerned that we're going the wrong way.

As the two tectonic plates shift, we're coming together-- they're not going to mesh. They're going to start grinding. And what's it going to take to separate it? And essentially, the problem is this-- you mentioned correctly the cover story of *Economist* earlier. *The Economist* had another cover story about five months earlier, which I think is even more accurate. That cover story was entitled, "How the West got China Wrong."

MICHELLE I remember it, yeah.

**CARUSO-
CABRERA:**

**MAX SIEBEN
BAUCUS:** And essentially, I think it captures something very significant, namely we Americans within a Western Judeo-Christian ethic assumptions-- our Constitution, Declaration of Independence, Bill of Rights, rule of law, independent judiciary, all assume that if we just keep working with

China, all these interchanges, they're going to be, quote, "more like us."

That's an incorrect assumption. And it's incorrect at my judgment because our systems are so different. China's authoritarian. No rule of law to speak of, no independent judiciary to speak of. And it's ruled by Xi Jinping and by the party. And the party is everything.

So when we Americans and other Westerners try to figure out what's fair, what's not fair, we are just dealing with incorrect assumptions. We're just two ships passing in the night. So I'll get to the quick here. My judgment is, we Americans really don't understand China. We don't spend enough time over there in a solid way. We think we do, but we don't. I'm just stunned since I've been back from Beijing-- I go over four or five times a year to keep current-- with the degree to which Americans are still naive and don't know as much about China, in my judgment, as we should to get a solution here. What's the solution?

We Americans have to develop a very solid, thoughtful, strategic plan toward China. We don't have a plan toward how to deal with China. In my experience over there, it's been very ad hoc. Some come up, South China Sea, where the ships sail over there. It's ridiculous. It is totally reactive. It is totally ad hoc under all recent administrations.

And President Trump is right when he talks about some of the problems that we have with China, namely in the competitive sphere, IP theft. There were just some more sanctions announced today, actually, against some companies.

**MICHELLE
CARUSO-
CABRERA:**

Yet, at the same time, the Dow's up 250 points because there's talk about some kind of potential trade deal. I just thought saw it flash by on my phone. I can barely keep track, you know?

**MAX SIEBEN
BAUCUS:**

I'm not trying to say anything about that. I'll just finish by saying we need a strategic plan to figure out what we can deal with, what we can't deal with with China, where we can agree, we can't agree. And where we can't agree, we've got to be able to show we're going to stand up and say, enough's enough. And I've got ideas. Don't have the time to talk about it here. But here's some ideas and how to deal with all that.

It's the only thing in life. It's mutual respect. We've got to respect them. They've got to respect us. And Chinese can smell strength, I think, better than anybody else in the world. And they can smell weakness better than anybody else in the world.

So we have to be strong in the best sense of the term, the most fundamental long-term sense of the term. And these tariffs are not the way to go at it, I don't think.

MICHELLE You're getting ahead of me.

**CARUSO-
CABRERA:**

MAX SIEBEN I'll stop talking.

BAUCUS:

MICHELLE All right. We're going to get to this.

**CARUSO-
CABRERA:**

MAX SIEBEN I get kind of exercised about this. And I just think that we're not on the right track as a way to get there.

MICHELLE Josh, what you think of the current state of the relationship?

**CARUSO-
CABRERA:**

JOSHUA RAMO: Well, you know, I think I'll pick up where Ambassador Baucus was headed, which I think is making this very important point, which you mentioned earlier. I wrote this paper in 2004 called "The Beijing Consensus" which was arguing as opposed to the Washington Consensus, which people may as this model proposed by John Williamson in the '90s that every country had to follow the same developmental path. Those of us who'd lived in China and been there thought that this idea that as China became more prosperous they'd become more American or more congruent, congenial to American interests was probably unlikely.

And I think there is a bit of a kind of moment of reckoning right now as people understand that that's the case. Having said that, we're really only seeing the relationship today sort of at a moment in time. And I think maybe the most useful thing we can do is try to kind of think about it in terms of where it might go and maybe provide a little bit of context.

In terms of where it might go, it's worth just thinking, as we think about diplomatic problems-- Ambassador Baucus was mentioning my boss, Dr. Kissinger-- I mean, this is an extraordinary diplomatic opportunity. You have a rising power and an established power. And the intellectual model is that you often do have this sort of Thucydides trap collision that's a disaster.

MICHELLE

And it inevitably leads to war-- a rising power--

CARUSO-

CABRERA:

[INTERPOSING VOICES]

JOSHUA RAMO:

It does and it doesn't, actually. So I think it's very important, actually, to get into the historiography of that. So if you look at the idea of the Thucydides trap, both in Graham Allison's book and in other cases, in many cases, it leads to war. In many cases, it doesn't. And it's not an inevitability that what we're going through right now is going to produce. So a lot of the analogy a lot of people use is a rising Germany and an established Great Britain at the beginning of the last century. There are tremendous differences which, if you want, we can get into between that situation and our situation today.

In fact, if you look at the Thucydides trap literature and the studies on it, it shows you that if the power gradient is particularly large, meaning the established power is much stronger than the rising power, they usually find some way to work together. The point is that that is a possible outcome. But our responsibility really has to be to try to find another outcome because war between the United States and China, or continued conflict, even, between the United States and China which stops us from finding areas of common interest where we can work on together, really does present a much deeper cost than we may want to pay.

And that's maybe the second point I want to make. I remember I was having tea a number of years ago with Dr. Kissinger and a famous Chinese diplomat named Huang Huah, who was a vice premier and served as ambassador to the United Nations. And the two of them got into a discussion about the difference of foreign policymaking between the United States and China, the West and the Chinese. And Huang Huah made an interesting point, which is Chinese begin their foreign policy analysis with a question, what is the nature of the age? It's sort of like when you get up in the morning, what's the weather outside before you decide what to wear?

And Americans often get very focused on specific issues-- get rid of Saddam or fix the currency thing-- and don't think about that that larger context. So I think it's of use to consider what is the larger context of the nature of the age we're living in. We are living at the beginning of a tremendously revolutionary period in human history, a period that may ultimately be as revolutionary and disruptive as the Enlightenment and the Industrial Revolution, or as a result

of the spread of technology, of networks, of connectivity. Changes everything. Changes economics, changes military affairs, changes even the nature of human cognition as AI starts to come into play.

One of the results of the last great shift of humanity which occurred really at the beginning of the-- starting with the Reformation and then working its way through the Renaissance, the enlightenment, and the scientific revolution, was a long series of wars as nations struggled to adjust to the demands of modernity. The world that we're entering into now, all of us see all around us all the time, is one where all of our institutions are challenged, where a whole new set of problems are emerging.

And our goal has got to be to find a way to get the United States and China aligned on a set of fundamental values that transcend these individual competitive dynamics that we have today. And so I think when you're asking what's the state of the relationship today, it's fine to say, look, today it's not where I think anybody would like it to be. But the question is can we begin to imagine-- maybe over the course of the panel we can lay out-- what an alternative vision might look like and how we might work towards that as opposed to getting trapped into this Cold War thinking of saying this is a new Cold War.

One of the things we suffer from a lot in the world of foreign policy is this idea of what's known as the availability heuristic. You just take the model that comes to mind. So people would say, Afghanistan is the new Vietnam. Afghanistan was nothing like Vietnam. And saying this is a new Cold War, this is a new example of the Thucydides trap, really limits your ability to think about the dynamics that are at play here.

So you brought up this whole issue of the new Cold War. I'm interested in what you think Ambassador Joe of Mike Pence's speech at the Hudson Institute, where-- which is now being described as something that ushered in a new Cold War?

ZHOU Could I respond to the remarks made previously?

WENZHONG:

MICHELLE Sure.

CARUSO-

CABRERA:

ZHOU I think that the problem right now, I think, is a perception on the part of the United States of

WENZHONG: China has gone wrong. From our point of view, China is a developing country. And although China is the second largest economy, but China ranks somewhere near first in terms of GDP in per capita terms. And China still has 30 million people who live below the poverty line, which is 3,000 Chinese currency RMB per year, every year.

And China needs to add 15 million urban jobs every year. China has about 90 million people with disabilities. So China's focus is peaceful development. China has lot of problems which it confronts which it needs to resolve to focus. So China's focus, I think, it's peaceful development and the problems it has to resolve at home.

So I think there are two things it will not change. One is China's direction of pursuing a market-oriented reform will remain unchanged. Secondly, China's resolve to expand its opening will not change. China needs a peaceful international environment to accomplish those targets. And another point I would like to make is, the world is changing very rapidly, which is becoming more and more interdependent.

And also all the countries need to work together because the problems are enormous. And no one country can tackle these problems just by itself. So I think the countries in the world need to learn how to work together and how to make sure that the interdependent world order may continue to enjoy peace.

MICHELLE CARUSO- What do you think of Ambassador Baucus describing China as authoritarian and having no rule of law.

CABRERA:

ZHOU WENZHONG: I don't agree with that at all because if you-- you know, it's a some 40 years since we have started our reform program. If you compare China today with what it used to be, 40 years ago, I think all fair-minded people would agree great changes have taken place.

And another point I would like to make is that countries are in different stages of development. And so the kind of development, the pattern needs to be inclusive. In other words, China needs to develop in a context which is consistent with Chinese conditions. And I think that's the right of every country. There shouldn't be one model for everyone. So I hope you would not apply sort of a certain abstract standard to other countries.

MICHELLE CARUSO- You said China's committed to market-oriented reforms. But a lot of people in the United States-- I think in Western Europe, even Australia now-- think that that commitment to free

CABRERA: markets and market reform has actually slid recently, that under Xi Jinping there is a regression, so to speak, more involvement of the state-owned enterprises, more subsidies, more state control of the economy. It doesn't look like China is moving inevitably towards more markets in its economy.

ZHOU
WENZHONG: Yeah, there will always be room for improvement. And at the World Forum, just last annual meeting of World Forum which was held in April, Xi Jinping made a pledge. And he announced the 10 measures which China will take in terms of opening still wider. And these measures being implemented one after the other.

So I think you see us lifting off many foreign equity caps on things like automobiles, auto parts, and so forth. And the tariff has come down. And tariff for automobiles has already come down from 25% to 15%. So I think things will move in that way, in that direction.

MICHELLE
CARUSO-
CABRERA: We understand foreign equity caps-- it's long been the policy that if you're going to invest in China, you've got to do it as a joint venture. You can only have a certain amount of equity. And the Chinese partner is going to have the controlling amount of equity. Right? I mean, have I articulated that correctly? That's certainly been the custom, if not put in policy.

ZHOU
WENZHONG: 22 sectors have been opened up. So you will see it's the lifting off the foreign [INAUDIBLE] will be lifted on 22 sectors. And as you mentioned earlier, a tariff for all the anti-cancer drugs have been lifted.

MICHELLE
CARUSO-
CABRERA: Ambassador Baucus, what do you think when he says China is a developing country?

MAX SIEBEN
BAUCUS: Well, it's interesting. One of our mutual friends, a former ambassador from China to the United States, is now a State Councilor and member of the Politburo, Yang [? Jiechi, ?] said to me quite strongly that they, the Chinese, feel so superior to us as Americans. Why? Because they could not have developed in the last 40 years if they were a democracy. They'd be nowhere. And that China now is the model for developing countries worldwide.

There's socialism, maybe with communist characteristics, maybe not. But it's still their source leaked from the government is modeled for developing countries worldwide. You Americans, I mean, you can elect anybody president. He might not be qualified, he pointed out. But here in China, all our leaders are peer-reviewed. They worked their way up, Shanghai party,

secretary, et cetera. So we've got to figure out Chicago backroom Baltics. We kind of figure out who is good and who is not good. We select good people. You Americans, your system is terrible. It doesn't work.

And I'm reminded of a very interesting conversation between President Xi and President Obama during the first summit when President Obama was over there, at least, and I was there. And President Xi was very concerned about Hong Kong. You could see the thorn in his side. You Americans, you're fomenting unrest in Hong Kong. You could tell it bothered him a lot. And President Obama basically responded by saying, well, you know, DNA is in our-- human rights is part of our DNA as Americans. Declaration of Independence, et cetera.

And so members of Congress are going to stand up on the floor and be concerned about human rights. In fact, it's my DNA, too, he said, President Obama. Then President Xi went on to say, it's quite likely how the role of the party is to take care of the people. It even trumps human rights. And he went on to say that it's kind of like an emperor. Thousands of years of history in China, emperors survive or don't, depending upon where the people are happy.

And so the role of the party is take care of the people. That's incomes. It's air and water pollution. It's health care. It's just taking care of the people. That's the Faustian bargain. And they're paranoid about it. They make sure they're, quote, "taking care of the people" so they can maintain power. And that's why there may be some rule of law. It's not an independent judiciary, but ultimately, it comes down to the party. What the party says is going to happen or not going to happen.

And I think that-- and add to that all the thousands of years in Chinese history. It's a momentum-building. I think many Chinese think the last 200 years is an aberration from their rightful place in human history. Things went off track a little bit. Now, it's coming back.

MICHELLE CARUSO-CABRERA: We've got 1.4 billion people. We've got human resources. I mean, in theory they should already, for a long time, have been a much larger economy than the United States, right? They've got more people. They've got more resources. They've got more land masses.

MAX SIEBEN BAUCUS: We all know what happened.

MICHELLE CARUSO- And yet, they're not.

CABRERA:

MAX SIEBEN We all know what happened in the 1800s and the 1900s.

BAUCUS:

MICHELLE What happened?

CARUSO-

CABRERA:

MAX SIEBEN They went the other direction.

BAUCUS:

MICHELLE It was socialism, right?

CARUSO-

CABRERA:

MAX SIEBEN It was during the Industrial Revolution, too, over here, too. That made a big difference.

BAUCUS:

JOSHUA RAMO: Well, what happened-- I mean, I think it is worth that maybe talking about the history because I think you're raising-- so if you ask yourself, what is the fundamental, defining moment of modern Chinese history? It definitely is the period of the Opium Wars in the 1840s. And what happened in the Opium Wars, just to do a quick history for folks who-- you had an empire that had been around for thousands of years that saw itself, really, as the center of its universe. People know the Chinese word for China. Zhongguo means the Middle Kingdom.

And in the 1840s, the British showed up in southern China and said, you know, look, we would like to find a way to sell you our tea and created this-- we need to buy your tea and in exchange for that we're going to sell you opium. And began selling opium into southern China. At that time, one of the Qing dynasty emperors thought this was not such a great idea and sent a famous bureaucrat down to southern China with his letter for Queen Victoria saying, look, if we showed up in England and we were showing selling opium to all your people, surely you'd be very unhappy about that. And you'd tell us to leave.

The British responded to that with military force. And within a matter of months, China's entire military had been wiped out. And that set off a period-- the first Opium War, the second Opium War-- in which China was invaded by nine different nations over a 75-year period. They lost a third of their population to internal struggles and to these wars.

And you can imagine the cognitive shock. Think-- you're the center of the universe. Imagine if the United States in the next-- found ourselves invaded by nine different nations in the next 70 years, and what you would want to do and need to do to get out of that trap and how deeply you would sort of feel that drive and desire. The Chinese problems with modernity, the question you exactly raise, which is, geez, they've got a billion a half people with a 70% savings rate, why aren't they already a much bigger problem? Has to do with a set of problems that really, to make ambassador Joe's point, they are still a developing country. They missed modernity.

In economics-- we're in Chicago, so it's always great to quote Nobel Prize winning economists. Douglas North had this idea that the Industrial Revolution created these convergence clubs and divergence clubs, right? There were countries that became prosperous and urban and scientific and there were those that missed it. And China completely missed it. And that's now what they're trying to catch up with.

But when you deal with China today, one of the things you are dealing with is a country. The reason there's no rule of law is there were no laws for a long time. We don't have lawyers in China of the capacity we have in the United States. And so it is important as Americans, as we try to understand the reality of what we're dealing with in China, to really get the dynamics on the ground, in a sense.

And so I think there's a couple of elements. One is this deep sense of backwardness, of having missed the train, of never wanting-- you were talking earlier, I thought you had a lot of very good questions about the China 2025 program. One of the lessons the Opium War was, if you don't have the best technology in the world, you're totally vulnerable to whoever shows up.

Whether or not China can actually achieve those goals in the 2025 plan-- and I think most sophisticated people think they're an impossible set of goals-- what drives it is that horrible national memory of this sense of national humiliation. I'm remember working on computer-related deals at one point over there. And many of the computer manufacturers thought, we'll go to China and we'll sell our oldest machines to the Chinese because they're just grateful to have any computers. The Chinese wanted the most advanced machines.

So that element of it, as well as one thing I feel that's missing for those of us who live and work in China in a lot of these conversations is the incredible dynamism of this younger generation

that's coming of age. In Chinese, we call them the [CHINESE] and [CHINESE] the post-90s, post-2000 generation. We have in China today a very interesting company called ByteDance, which has a product called Toutiao, another product called TikTok, which is the highest valued private company in the world right now. It surpassed Uber. It surpassed Didi. And you feel this energy of consumption and power there.

MICHELLE CARUSO-CABRERA: So back to my original question to Ambassador Baucus was I think to hear Ambassador Joe say China is a developing nation sounds very cheeky to a lot of Americans.

JOSHUA RAMO: Well, I think it's under China's standard--

MICHELLE CARUSO-CABRERA: Trillions of dollars of treasury--

JOSHUA RAMO: It's both.

MICHELLE CARUSO-CABRERA: --owned by the Chinese.

JOSHUA RAMO: Yeah, so I think that's--

MICHELLE CARUSO-CABRERA: The second largest economy in the world.

JOSHUA RAMO: Yeah, so one of the problems we have is that we tend to be-- you tend to look at it in a very black and white way. And the crazy thing if you live in China is, you every day-- I can tell you this from having lived there full time for 12 years-- is everyday you experience China as a first world country and a third world country within an hour. And so understanding that tension, imagining the challenge of leading in that kind of environment for China's leaders-- again, I don't feel like my job is to judge it as good or bad. It's just try to understand the perspective they're coming from.

So I don't think it's meant to be cheeky. I think it is really meant to express-- particularly somebody like Xi Jinping, whose family comes from the poorest part of China, in Gansu and

Shaanxi, that there are a lot of people there who still are living the lives of people in a developing country.

MICHELLE CARUSO-CABRERA: So what do we do now in the wake of Vice President Mike Pence's speech, which has-- you haven't addressed it directly. What did you think of that speech, Ambassador?

MAX SIEBEN BAUCUS: I was very-- I was put out with it.

MICHELLE CARUSO-CABRERA: I didn't hear you. I'm sorry.

MAX SIEBEN BAUCUS: I was put out with Vice President Pence's remarks.

MICHELLE CARUSO-CABRERA: You were put out by it?

MAX SIEBEN BAUCUS: I thought it caused a problem-- exaggerated a problem-- by saying publicly that China is infiltrating or hacking the US election system. I don't have any information that says that's true. I think that's all rhetoric. I think it's part of the Trump administration's plan to get voters all whipped up for the midterm elections and maybe 2020. It's political more than it is substantive. I was very put out.

I'm very embarrassed to say that much of that speech is now published by the American Embassy website in Beijing. And that just inflames things. That's just the wrong way to go about this, in my judgments. It's unfortunate. Again, it begs the question, what do we do? If you want to get to that, we can. But I thought the speech was inadvisable.

MICHELLE CARUSO-CABRERA: Can I drill down a little bit more on that? So yes, the accusations that China was intervening in our elections was a new one that a lot of people hadn't heard. But when he said tariffs, quotas, currency manipulation, forced technology transfer, intellectual property theft, industrial subsidies doled out like candy, to name a few, there's actually a lot of consensus, both left and right, that a lot of those are actually real issues that American companies face. Do you dispute that?

MAX SIEBEN Well, sure. There are issues. But the question is how do you solve them? How do you solve
BAUCUS: them?

MICHELLE OK, yes.

CARUSO-
CABRERA:

MAX SIEBEN I'll try to speak more distinctly. No. For example, right now China does not know who to trust.
BAUCUS: Is it Mnuchin? Is he calling the shots here? Is it Navarro? Is he calling the shots? It's back to the trade issues. Even if it's one or the other, they know that Trump can undermine whatever Mnuchin, as he did once, agreed to with Liu He. So they're Buffalo. They don't know what to do. And so much of this is in America's side of the court, that is, be more specific and stick with it. Don't keep changing your minds. A lot of the Chinese went-- or even, as I said, even if Trump says something, will Trump stick with it? It's a big issue. So the answer--

MICHELLE Everybody aware, Treasury Secretary Mnuchin went to China, thought he came back with the
CARUSO- deal. They're going to buy more soybeans.

CABRERA:

MAX SIEBEN Liu He came over, made a deal on deficits, et cetera.

BAUCUS:

MICHELLE And then they thought they had a deal and then--

CARUSO-
CABRERA:

MAX SIEBEN And then Trump said, oh, no, no, no. Pulled the rug out. And so Liu He, he's less likely to
BAUCUS: come over now because he doesn't want to be embarrassed again. So to answer your question, yeah, sure, there are issues. There are definite issues. But they gotta be dealt with, I think, in a smarter way. All these tariffs are not a smart way to deal with it. Rather, target the issues, the indictments that came out today had a good example of targeted efforts to try to stop malfeasance.

MICHELLE You're talking specifically about some members of the Chinese military who have been
CARUSO- indicted, one extradited from Belgium for trying to steal aerospace secrets.

CABRERA:

MAX SIEBEN There's that, and also a couple others are indicted. Indictments announced today. Correct.

BAUCUS: And it's more targeted.

MICHELLE Josh, I see you're nodding your head.

**CARUSO-
CABRERA:**

JOSHUA RAMO: No. I think, you know, so much of what Ambassador Baucus is saying is exactly right. Which is that the way in which America approaches these engagements, the way we think about our discussions, has been challenging, frankly. I think these issues exist. I don't think there's anybody who would argue that you needed a tremendous balancing of the relationship.

But the question is on what basis do you do pursue that rebalancing? And I think if you consider it from almost every level. From sort of a strategic level, and operational level, and sort of the tactical level, there are probably things that could be done that would be more likely to lead to a solution. You know, almost everywhere you go today, what you hear from people is that America's biggest challenge, the biggest foreign policy challenge for the United States is handling a rising China over the next 50 years.

And I struggle a lot with that. It seems to me that the biggest challenge for United States is the maintenance of international order that we've built, and that has maintained our country and has put us in a position of global dominance. China is a piece of that. Russia is a piece of that. Artificial intelligence is a piece of that.

But in overall strategic vision is to say, look. The international system is going through a period of a tremendous reset. What is the role of the United States in that system? And I think if we are in a position of commanding a vision of that system, and executing on it, China becomes a part of that larger project for us. But I think this issue just focusing on China has two problems.

First of all, it removes our leverage. One of the lines, when you're studying Chinese negotiation theory, that you'll read. And for those of us who this is our hobby on the weekends. We read studies of Chinese negotiation psychology. One of the lines that come up a lot is, you know, Chinese often respond to persuasion. But they more often respond to manipulation.

That when forces are aligned in such a way that there's no choice about how to move, that's the right way in which to handle things. So I think creating an overall context which is consistent with our values, that then allows us to go to the Chinese with our allies and other

people and say, this is the vision we have of this world as we go through this revolutionary time, is a much stronger basis on which to pursue our national interest. Both from a negotiating standpoint, as well as from kind of an American value standpoint.

MICHELLE

Professor, you can't let these two Americans talk so much. We need more of you of here.

CARUSO-

What do you think of the Pence speech? I'm pretty sure it's obviously, you don't like it. But

CABRERA:

when he talks about forced technology transfer, intellectual property theft, industrial subsidies that benefit Chinese state owned enterprises?

ZHOU

I think that many people have pointed out, including the MICHELLE CARUSO-CABRERA,

WENZHONG:

some of the MICHELLE CARUSO-CABRERAs here, it is not factual. And it is not consistent with the current state-- state of our relations. And some of the accusations are groundless, and so the timing is also very tricky, tricky. Because the speech was made when the secretary of state was paying off India to China. So I don't know no coordination of the speech, the timing of the speech is concerned. It's right.

MICHELLE

We have guests on CNBC, CEOs who say that absolutely forced technology transfer is an

CARUSO-

issue. You have to go in, as Hank Paulson said, by default, you're going to do a joint venture.

CABRERA:

If you're going to do a joint venture, you have to give this other Chinese company your technology.

ZHOU

Talking about technology transfer, in the beginning of the opening of China, that's part of the

WENZHONG:

contract. Because at that time, China has no other resources and market. So if you want to have a market share, then a part of the agreement would be transformative technology. But that's what happened earlier, during the opening. It's no longer the situation.

So if they have a specific complaint, I think they are welcome. Because now we have formulated regulations. We have relevant laws concerning foreign investment. So I think there is no such provision. So if there is that sort of a complaint, or specific case, they are welcome to bring it to us.

MICHELLE

I think we are all guilty always thinking the Chinese government, monolithic, controls every part

CARUSO-

of the chain. But the complaint we hear is often at the regional level. Or the regional politicians

CABRERA:

who are embarking on this kind of activity, and they don't feel, a lot of these companies, that they can actually get a fair hearing in a Chinese court.

ZHOU

And the fact that the foreign investment is increasing, and I think the estimates for foreign

WENZHONG: investment the next five years were to reach \$600 billion US. And China's outbound investment would reach a \$750 billion in the next five years. And China import would be \$8 trillion. So I think China represents a big opportunity for other countries, and all sorts of commercial entities in other countries.

So they are welcome to take advantage of this opportunity. So it'll be two way, sort of-- there will be investment going out. And there will also be investment going into China. And all of these would be voluntary decisions. So the fact that they would like to go to China to make investment, that shows that they think that this is worthwhile.

MICHELLE CARUSO-CABRERA: It's so interesting to hear everything you're saying, because we have here almost consensus that there are issues about-- I mean your two co-panelists both said yes, there are issues. Yes, right? I mean *The Economist*, which is considered a very mainstream magazine, says there are issues. So I just don't know how we're ever going to bridge a gap when, we can't even really define the problem. We have such different views of the problem.

ZHOU Yes. There are issues. I mean, this is maybe-- this is the situation we are confronted with.

WENZHONG: There are problems. There are issues. But we shouldn't question this as a policy. Whether or not this is a policy, I think you should not question that. It's certainly not the policy of the government.

MICHELLE CARUSO-CABRERA: For technology?

ZHOU Yeah.

WENZHONG:

MICHELLE CARUSO-CABRERA: OK.

ZHOU And if you have a specific case, commercial entities have a complaint, they are welcome to bring it to us. And I think the embassy or the consulates would take the complaint to the authority in China. And it should be dealt with according to law.

MAX SIEBEN BAUCUS: Frankly, in a certain sense, this is easy. That is, Chinese people and American people have the same hopes, aspirations, and desires. What are they? Decent income, food the table, take

care of the kids. Education, clean air, clean water, living a decent life. They're basically the same.

It seems to me that to add to that, we're together joined at the hip economically, with the big trade we have between United States and China. Investment and in trade. China wants this thing to work out, that is the trade tension. We want it to work out. We people certainly do.

And I think China is looking for a way to give in a little bit here and there, addressing some of the issues that we're discussing here. If they can find a way to do it, in dealing with the United States, this comes down to trust. It all comes down to trust. The leader which China can trust the United States, and President Trump, and vice versa. And that's just not there now.

And it's not there because all the name calling, and the and forth. And it's my judgment is not there, because we don't have a sufficient number of people in the United States that understand China. Add to that, we don't have a strategic plan with respect to China. Its one-- with a new president, I hate to say that, it sounds a little political. With a new-- this president is not going to solve the problem.

I think he's incapable of solving it. The new president, then we have an opportunity--

MICHELLE What is it problem?

**CARUSO-
CABRERA:**

MAX SIEBEN No trust. No trust, either way, don't care rhetoric. I mean, I'm speaking for the American side,
BAUCUS: the American rhetoric about China. And we just need a new president.

ZHOU Agree-- no, sorry.

WENZHONG:

MICHELLE Go ahead, no, finish.

**CARUSO-
CABRERA:**

ZHOU Agreement was reached. Liu He came to Washington twice. In May, I think agreement was
WENZHONG: reached between the two sides regarding some of the problems, issues between the two countries. And again in July, August, there were consensus agreement regarding ways to resolve the problems. But

Then, they went back their words. So then, he decided to impose a tariff. And we responded with the same approach. That's where we are.

JOSHUA RAMO: I think a lot of it has to do also with the way that-- just as somebody that has spent nearly 20 years now working between the two cultures. A lot of it has to do with there's just different ways of going about approaching problems in a way when you have a problem. And it is really true, generally, that Chinese will begin with this kind of what is the overall nature of our relationship?

Do I know you? Part of that's, by the way, because there is no court system in China. There's all these things that are still developing in China but also for historical reasons, that the individual is only seen in the context of their relationship, right? So in China, the famous example of this is Chinese names, right? Where your family name comes first.

So in the US I'm, Joshua Ramo. If it was in China, I'd be Ramo Joshua, because the most important thing about me isn't who I am, isn't that I'm Joshua. It's Ramo. It's that you're part of this larger historical context. So Chinese always begin with this sort of where does this person fit? Where does this idea fit? And Americans tend to begin with a very specific thing.

It's the great thing about this country, is we all came from nowhere. We had no background. We were all immigrants at some point, and we said let's just get down to work let's not worry about this. Let's focus on these specific problems. And this kind of mismatch you see over and over and engagements, which is the Chinese will always say we want to begin with strategic understanding.

We want to make sure-- Xi Jinping comes over. And he says, we want a [CHINESE] which is a new kind of US-China relationship.

MICHELLE Show off.

**CARUSO-
CABRERA:**

JOSHUA RAMO: New kind of great power relation. And the Americans say, well, why are you doing the forced technology transfer? Why are you doing all this other sort of stuff? And so I think kind of it's incumbent on us as Americans, as we think through this problem, to sort of try to take that step back. These are very serious issues that we're talking about.

As you point out, there is honest disagreement about what they mean. And I think there's some facts which really there should not be very much disagreement. But the whole premise of the relationship all along has been, going back to the Shanghai Communique, that we would have areas of cooperation. And we would have areas where we disagreed. And the aim was over time, to make these areas of cooperation so large, and flourishing, and engaging, and fill our university campuses.

I have this wonderful story when Deng Xiaoping says to Jimmy Carter, when they normalize relations in 1979, would it be possible for us to send some university students there? And Carter says send 10,000 of them. And Deng says, what are you talking about? I thought you'd say 100. So that premise of let's build this cooperative thing and have the disagreements be in that context, that's a vision that we shouldn't lose.

The disagreements are serious. They represent meaningful national security threats to both sides. But they're best managed in the context of cooperation.

**MICHELLE
CARUSO-
CABRERA:**

Yeah I guess. But it's so on display here. You just said there's no court system in China. He says, use the court system in China. Right?

JOSHUA RAMO:

But I think was Ambassador Joe was saying. Not to put words in Ambassador Joe's mouth. But the reality is the Chinese legal system, and all of us who have to deal with this and understand this, is a work in progress. As ours was hundreds of years ago. The Chinese way of solving this, again not to put words the ambassador's mouth.

But on if you're domestically in China, and you have a problem, for instance, with coal mining dumps, or excess chemical discharges. Because they do get caught up in this bureaucracy, is to create these special channels to handle things. And we can have a discussion about how well these special channels work. But it's not like Ambassador Joe is-- I certainly didn't understand him to come say please bring this to trial in China.

I think what he was saying is we've built a mechanism to deal with this. Specifically because we know that those other mechanisms can't handle it. Which is not to say that it's right. I'm not judging it is right or wrong. I'm just trying to maybe explain it.

**MICHELLE
CARUSO-**

Got it. Are there other implications from the trade disputes that we're facing right now? Do we do we end up with national security issues because of this? Ambassador Joe?

CABRERA:

JOSHUA RAMO: That's what we want to try to prevent. And the dispute-- the trade dispute from having negative impact on other parts of our relations. We've been working hard to prevent that from happening. And I hope that would be the same for attitudes.

MICHELLE You say working hard. What do you mean? Are there examples?

CARUSO-

CABRERA:

JOSHUA RAMO: Well, I think the two sides talking to one another about a possible meeting between the two presidents. Because very soon, they will go to G20. So I hope at the moment, at the working level, staff either at a level or staff are talking parties. Hopefully there will be a meeting, so that all of these issues could be reviewed and discussed at the highest level.

MICHELLE Ambassador Baucus, you've addressed this a little bit at the beginning, but are you concerned
CARUSO- that these trade disputes reach out to something expand to something much larger, in terms
CABRERA: of the national security issues between the two?

MAX SIEBEN Well, yes I am. I mean, first the size. The magnitude. I don't know if President Trump's going
BAUCUS: to pull the trigger. But if the tariff goes up 20% to 25%, to \$50 billion worth of products the first year. He talks about another \$200 billion on top of that. That's a big jolt.

MICHELLE He talks about it all.

CARUSO-

CABRERA:

MAX SIEBEN That's huge. And that's going to have huge repercussions in many, many areas which are
BAUCUS: clearly going to bleed into national security, and so forth. Frankly, I'm quite concerned because right now, CFIUS is being bolstered up.

MICHELLE The Committee on Foreign Investment into the United States. This is the committee that
CARUSO- decides whether or not a foreign company can buy a US company.

CABRERA:

MAX SIEBEN It's limiting foreign investment in the United States. And they're tightening that up very
BAUCUS: significantly. And it's aimed primarily at China. Washington, DC now is-- I mean it's a code blue, whatever it is. It's so upset with China right now. The DOD, the Department of Defense

even more so.

I mean, a huge influence on the investment process by the Department of Defense. Very worried about technology theft that going to undermine the US defense system. So it's an issue.

ZHOU

WENZHONG:

Yeah. I mean there's no question that trade is the canary in the coal mine here on national security concerns. The famous line of all of us who've studied trade theory when goods don't cross borders, armies will. It clearly is the beginning of a real challenge. And it's a challenge for United States frankly, to think how do we contemplate our future security? What's the basis of our future security?

And the challenge, I think, is to kind of keep this, in a sense, as an economic issue, and begin to treat the security issues with security means. The mixing of economic means and security means becomes problematic. The larger strategic issue for United States is what's your perspective on what makes America great, so to speak? Right?

Is it having us be the center of a network of nations that are connected and share values, and share economics and trading system? Or is it having us be the strongest kid in the block who kind of doesn't talk to the other kids except when it's time to kind of occasionally rattle them a little bit? Everything we think we know about economic theory suggests you want to be the center of a networked system.

You want your standards to be the most important standards in the world. You want your markets to be the most important markets in the world. And so deliberately severing those connections, undoing those markets, undoing those networks, is unlikely to be productive for your national security in the long run.

MICHELLE

CARUSO-

CABRERA:

Can I have the cards? Thanks. Much of the discussion has focused on challenges. What broader areas of cooperation exist? Isn't the US China relationship essential? You've talked about this a little bit, the environment. Do you want to talk about that a little bit more? Is there more to add?

ZHOU

WENZHONG:

Yeah, I think right now this sort of situation is not healthy. Because all the existing channels have not been working. Competing China and the United States have been number of mechanisms for cooperation. And so they have stopped working. So I think it's very important for the administration to recognize we need to work hard.

Both sides need to work very hard to keep this relationship remaining constructive. Making sure that all the existing dialogue, the channel for dialogue, is working. Right now there's been no dialogue at the working level. This is a very dangerous situation. So I know the United States very soon we'll have the largest military spending, totaling some \$700 billion US. And you have military facilities all over the world.

So you are, during the previous session, you are worried about the part of the security situation. This is not a very healthy situation.

MICHELLE CARUSO-CABRERA: Are you suggesting it's slightly hypocritical for us to have a huge military and be all over the world? And therefore you guys should have the right to do as well?

ZHOU WENZHONG: Because the size of your military spending would be equal to the total amount of the next 10 countries after the United States. Well, that's a fact.

MICHELLE CARUSO-CABRERA: Areas of cooperation?

MAX SIEBEN BAUCUS: Yeah, cooperation. We have to cooperative. During my term over there, the one that pressed me the most was on climate change. When I first talked to President Xi and others about climate, it was like talking to a fence post. I got nowhere. And over time, after a glimmer of interest, yeah gee, maybe there's something in this for China.

You know, they could be on the world stage with President Obama. That's a big deal. Second, work on renewable technologies, market them. That's a pretty big deal. And pretty soon, yeah. They reach that agreement, our two presidents, even though we've not pulled out the Paris Accords. That was a bright spot.

Add to that is North Korea. I don't think there's any North Korea solution does not go through China. China has to be part of the solution in North Korea. And if we have a good relationship with China, we'd develop trust with China, and that's going to help us deal with North Korea. There are other areas too, but those are two big ones.

JOSHUA RAMO: Yeah, I mean I think that in addition to these areas, we are facing so many new technologies and ideas that we don't know how to regulate, right? And so in many of these emerging areas,

artificial intelligence, biological engineering, we live in a global world where the intellectual capital is global, where the financial capital is global.

And so the development and the use of these incredibly promising and simultaneously incredibly perilous technologies, how you regulate them, how you think about them, would be a great example of that. I happened to be in Beijing last week speaking to somebody who oversees a lot of the AI work there. And we got into a discussion which is, everybody's, feeling like the world is in this race to develop AI, right?

Who's the first country to be AI enabled? Is it going to be China? Is it going to be United States? You know, one of the lessons of the Industrial Revolution may be that you want to be the last country to have AI. So many countries tried to develop industry, and ended up in a disaster. Russia, China. And so I think these new technologies are an area.

And I have say, I think if you get back to the idea of getting trade on a more balanced footing, that the fundamental distributional principles of trade, that there are things China has at the United States needs, and there are things the United States has that China needs. And if those can be balanced in a way that is consistent with our larger national interests, which we should be able to find a way to do, then returning to having a prosperous, sensible, economic relationship between the two sides is probably the single most important thing.

And I think what's worrying about what's going on right now is that one of the things that determines if you have this Thucydides disaster or not is how much interdependence is there? And when you begin to have a set of policies that reduces the amount of interdependence, it increases the risk of a collision in the long run.

MAX SIEBEN

If I might add right there, on technology, with whether it's CFIUS or what not. The big concern about China technology being used the wrong way. There are a couple areas this is a bit naive. I think it would be helpful if we could go there. Some kind of international norms on technology, I think let's take cyber. Where are the standards?

BAUCUS:

What is was permissible, what's not permissible? Et cetera. We don't have anything like that now. Just, it's Wild West. The same thing is true with respect to a CFIUS. What tech-- how do you trust another country's technology not to backdoor the government, et cetera? There are no standards. It's just getting Wild West. And that's causing a lot of problems.

MICHELLE

Yeah. Under President Obama, I was at the White House that day when he had the press

CARUSO- conference with Xi Jinping. And basically said governments spy on each other. But
CABRERA: government spying on the Dow 30 is another thing altogether, and not acceptable. Right? I mean, to come up with the framework. And it doesn't feel like we've gotten there yet. There was some progress I thought, after--

MAX SIEBEN There was some progress, I want to dominate the first over there. Lu Wei, who is now in jail,
BAUCUS: he was the head of the cyber security over there, and had to two-hour conversation with him, to try to get him to agree in principle, there's a difference between spying for security purposes, and spying for commercial purposes. He wouldn't agree to that.

But after the opium hacking, we got them to agree hey, it's a problem. They did send some people over that got a five point security agreement. It's OK. It's a start.

MICHELLE However, this is pretty provocative. This one, whoever did this. Over the past two decades,
CARUSO- there have a total of hundreds of thousands of Chinese students educated in the United
CABRERA: States, including over 300,000 studying here right now. How will these future Chinese leaders drive China-US relations? How will they influence Chinese elite ideas about governance structures? Will democracy come to China?

ZHOU That's a very important part of China's opening up policy. And that policy will continue. That
WENZHONG: means, you know, there were maybe more and more Chinese students would like to come this way, to study or to pursue their sort of academic career. Will that be allowed to continue? So that's a real question.

And they may have gone back, and it worked to different sort of positions, play a very important role in increasing the exchanges between the two countries. So I think this is a very good and a positive part of our relationship.

MICHELLE They seem to suggest with the question, with the last question will democracy come to China,
CARUSO- that perhaps all of these Chinese students studying in the United States may carry back the
CABRERA: idea that democracy would be a good idea.

JOSHUA RAMO: Yeah. I sort of answered this question in a way earlier. That is to say, China is opening. It means China wants to learn. But whatever that is good for China from other countries. But you know, what you have here, which is so good for China, and China could have learned from you, needs to be implemented in specific Chinese conditions. So we cannot copy everything you have here.

MICHELLE CARUSO-CABRERA: You referenced this a little bit earlier, Ambassador Baucus, that they would become more like us. And is this person who poses this question, will democracy come to China because of all these Chinese students studying here, does that fall into that category?

MAX SIEBEN BAUCUS: Well, it's interesting. When I've talked to Chinese students who come back from the United States back to China, they love it over here.

MICHELLE CARUSO-CABRERA: They love it here?

MAX SIEBEN BAUCUS: They love what they see in the United States. It's opened their eyes. And I ask, why? Well, it's your openness. It's space, it's distance, it's freedoms, democracy and all that. That's what they tell me personally. It's very, very important. Now they're Chinese.

They're proud to be Chinese. And so they'll approach all this from the Chinese perspective. Once I was walking down the streets of Chongqing, in an outdoor cafe, and stopped and talk to people. And one thing or another, and asked about Taiwan. It's a whole other subject. Then I ask, when I say America, what that comes to mind?

Around the table, these are about 30-year-olds, drinking beer and that kind of thing in this outdoor cafe. Openness. Fairness. Democracy. Around the table, they all agree. Then I ask, well will China ever be a democracy?

Oh no, we'll just collapse. We cannot deal with democracy. Will China ever be a democracy? Oh yeah, maybe 15, 20 years.

MICHELLE CARUSO-CABRERA: They think it'll collapse.

MAX SIEBEN BAUCUS: Right now. They're right. If you impose democracy right now, today, that'd be the end of it.

MICHELLE CARUSO-CABRERA: OK.

MAX SIEBEN Because there are not institutions. But after 15 years, 20 years, yeah maybe.

BAUCUS:

MICHELLE Josh?

CARUSO-

CABRERA:

JOSHUA RAMO: I think it, again, gets to this-- I'll end where I began, which is I think it is-- you can't look at China at this point in time and think that that is China. The dynamism, the energy of this younger generation. There's a famous line of Mao giving an address to graduates of the Military Academy in the 1950s. And he said, you have to worry about the future.

And you are the future. Inevitably, you're the future. Because we're not going to be here. And that energy of that generation I think is going to produce a lot of innovations, a lot of interesting ideas. And when you talk to people at the highest level of the Chinese political system, there is an awareness that the political system itself is an act, is a work in progress.

It's an active development. That everything is developing. And as ambassador Joe, said this willingness to sort of take ideas. So it's very hard to know where it's going to end up. It will certainly end up in something that reflects Chinese history, and culture, and traditions. But you have to argue, at the end of the day, the lesson of the last 40 years of history is a broader engagement with China, that willingness to educate these students here to bring them here, has been a benefit to the United States more than it's been a hindrance. And I think on that basis, you know, we ought to think about our future.

MICHELLE So my last question here, and since we've gotten to this point, and we are at a university, I
CARUSO- mean, it has been suggested that as part of this trade war with China that maybe they stopped
CABRERA: giving visas to Chinese students to come here and study in the United States. It would certainly hit where it hurts, right? In terms of a tactic. You think it'll come to that?

ZHOU It's very unfortunate that it's happening right now. And it's not only happening to students. It's
WENZHONG: happening to people in other sectors, who plan to come here for different purposes.

MICHELLE So adults, businesspeople.

CARUSO-

CABRERA:

ZHOU Yeah. Even officials.

WENZHONG:

MICHELLE OK.

**CARUSO-
CABRERA:**

ZHOU They are waiting for their visas. And so sometimes they have to give up their plan because of
WENZHONG: the visa issue.

MICHELLE So it's already underway?

**CARUSO-
CABRERA:**

ZHOU I hope it would not happen. But we'll see.

WENZHONG:

MICHELLE Ambassador Baucus?

**CARUSO-
CABRERA:**

MAX SIEBEN Well, it is happening. I mean, the United States government, in my judgment, incorrectly is
BAUCUS: restricting visas to students and others to come to the United States. I think it's very reactive.
It's wrong. And we have somebody, a Chinese person comes to the United States, he or she
may be a security risk. Well, let's deal that differently.

Let's find out. But not willy nilly, tend to restrict visas to Chinese coming to America. We issued
300,000 a year, student visas. Three million tourist visas a year. They come to the United
States. And I think that's a big plus. Maybe some of them are spying. I'm sure some of them
are.

Well, let's just deal with that with our own judicial system, not stop them coming over.

MICHELLE Anything you have to say, Josh?

**CARUSO-
CABRERA:**

JOSHUA RAMO: Yeah, I mean it is responsive. If you believe that there is an argument that people make now
that the great political debate in the world has moved from this left-right debate to characterize

so many decades, to open versus closed. And Brexit is a vote for closed. Trump and his wall are a vote for closed.

These visa policies are a vote for closed. And it's a really interesting question to ask yourself, is you know. OK, let's say that shift has happened. What do we think the next generation of Americans want? Do they want closed or do they want open? As we move from a Baby Boomer age to a millennial age, what are those values?

What are the global values? And I think it's very hard to handicap, is the acid test of all foreign policy is domestic politics. If domestic politics is driven by a desire for the United States to close, down there's nothing any of us can say about that. The lesson of history is the United States has benefited enormously from openness. And by the way, just to get back to the Thucydides trap question.

The idea of the Thucydides trap is essentially this notion that every 100 years or so, you have a contest between great powers for leadership of the international system, right? So the Dutch had leadership, and then the French wrested it away from them. And the Spanish got it from them, then the British got it. The United States. We're just finishing our 100 years.

And now somebody is going to come take it from us. Everybody gets about 100 years in power. But the reality is if you look at all of human history, there are many examples of states that have led the international system for hundreds of years at a time. The Assyrians, the Moguls, the Qing dynasty, the Roman Empire.

All of these, right? And that is the fundamental question for the United States, is are we at the end of our 100 years? And are we just fighting and to kind of keep our fingertips in? In which case, maybe closing down is the right answer. Or do you believe that the United States has many centuries of prosperity and leadership ahead of it?

And if you believe that, then the way in which you think about these problems of China or some percentage of university students doing things you didn't want them to do, takes on a very different life.

MICHELLE

Last question, you're only allowed to say one word, control yourselves. I'm picking an arbitrary timeframe. Five years from now, the relationship between China and the US is better or worse.

CARUSO-

CABRERA:

Josh? Ambassador Baucus?

MAX SIEBEN

Better, because we have a new president.

BAUCUS:

MICHELLE Ambassador Joe?

CARUSO-

CABRERA:

ZHOU It's a very good question.

WENZHONG:

MICHELLE When in doubt, compliment the moderator.

CARUSO-

CABRERA:

ZHOU I hope it will get better. That's our hope. Thin I really hope the administration would

WENZHONG: understand the importance of this relationship, and to make the right decision, and take the right approach.

MICHELLE Said one word, but I'll give you a pass. So that wraps up this power. Guys, you were a great.

CARUSO- Terrific. Really tough, tough discussion.

CABRERA:

[APPLAUSE]

Going to turn over the microphone to Michael Greenstone. He's going to help introduce the next panel. Thanks.