

Center for Strategic and International Studies

President Obama's Upcoming Trip to APEC, G-20 and East Asia Summits

Moderator:

**H. Andrew Schwartz,
Senior Vice President of External Relations,
CSIS**

Speakers:

**Ernest Bower,
Senior Adviser and Sumitro Chair for Southeast Asia Studies, CSIS**

**Matthew Goodman,
William E. Simon Chair in Political Economy, CSIS**

**Michael Green,
Senior Vice President for Asia and Japan Chair, CSIS**

**J. Stephen Morrison,
Senior Vice President of the Global Health Policy Center, CSIS**

Location:

**First Floor Conference Room,
CSIS, 1616 Rhode Island Avenue, NW
Washington, D.C.**

Time: 8:30 a.m. EST

Date: Thursday, November 6, 2014

*Transcript by
Federal News Service
Washington, D.C.*

H. ANDREW SCHWARTZ: Good morning, and welcome to the Center for Strategic and International Studies. Pardon our microphones. We're going to get those fixed.

I'd like to welcome you all this morning. We've got a terrific briefing for the president's trip. I'd like to first say, though, congratulations to a good friend journalist of ours who just got married, Julie Pace, who's just back from her honeymoon. So – (applause) – mazel tov.

Q: Thank you.

MR. SCHWARTZ: With that, I'd liked to introduce my colleague Dr. Mike Green.

MICHAEL J. GREEN: Thank you.

Congratulations.

We're going to give you an overview of the president's trip to the Asia-Pacific region and then open it up for your questions.

The president will be in China November 10 to 12 for the APEC Asia-Pacific Economic Cooperation leaders' summit and the associated CEO summit, and then he'll have a state visit with President Xi Jinping.

November 12 to 14 he's in Myanmar, Burma, for the East Asia Summit the U.S.-ASEAN Summit in Naypyitaw, and then – (inaudible) – with Thein Sein and meeting with Daw Aung San Suu Kyi.

He is in Brisbane, Australia, then, from the 15th through the 16th for the G-20. And in Brisbane, the White House has said, he will do a major speech on Asia policy.

So we'll go through those in order and provide some – whatever the opposite of Monday morning quarterbacking is – Friday evening previews.

I'll start with an overview and talk about what's at stake for the president and the country on this trip, particularly after the midterm results. Matt Goodman will focus on the APEC meeting, the Brisbane G-20 and U.S.-China economic issues; Ernie Bower, on the East Asia Summit and the ASEAN Summit and then the engagement with Myanmar/Burma on this trip; and then Steve Morrison is going to conclude with a sitrep on what's happening on the ground in Myanmar, based on a trip he and others took recently. I'll also address some of the U.S.-China security issues upfront too.

So looking at the results of the midterm, for those of us who travel to the region, the polling that shows that in some cases two-thirds of Americans are not satisfied with President Obama's leadership style, half of Democrats are not satisfied with President Obama's leadership style.

That largely squares with what most of us who travel in the region hear from governments across Asia. In fact, we found in surveys we did here at CSIS of strategic elites – of think tankers, policy experts – in 10 Asian countries, that the rebalance or the pivot to Asia has 80 percent support – has very high support. But there were questions in the surveys – a majority of respondents they had real questions about implementation. And the election result, in some ways, may reinforce those concerns from New Zealand to China, whether the administration has the wherewithal to actually follow through on the pivot or rebalance as advertised.

There are some substantive areas of progress. The Obama administration has the best attendance record in Asia of any U.S. administration. They've made every ASEAN regional forum. They've held far more bilateral security consultative meetings at high levels with Japan, Australia and Korea. The president now attends regularly the East Asia Summit. So in terms of showing up, a pretty consistent and high attendance record. The Defense Department is – although it's in a smaller and shrinking budget – shifting relative resources to the Pacific, especially the Navy. Mike Froman at USTR is clearly prioritizing TPP, the Trans-Pacific Partnership, over other aspects of the trade agenda.

And despite questions about implementation of the pivot and real questions about President Obama's leadership right now, in our survey of the strategic thinkers in Asia, which we just published last spring, it was striking that a significant majority of elites in Asia think the U.S. will be the leading power in the region in 10 years. And outside of China and one or two other countries, a significant majority – particularly among our allies – said that they want the U.S. to be the leading power in Asia in the coming years. So there is a lot of opportunity for the rebalance of the pivot to succeed, but there are – that there are problems and the president's trip is going to be very important in terms of addressing those.

And there are three I would highlight. And these are things we've noted for some time in our writing here at CSIS. The first is that how the president and how the Cabinet talks about the pivot keeps changing. And even the kind of bumper sticker keeps shifting. For a little while, for example, recently senior officials, Cabinet members were talking about a new model of great power relations with China, advanced by Xi Jinping, a phrase that is not popular among our allies because in the Chinese formulation of a new model of great power relations, no other Asian country is a great power, just the U.S. and China.

So the administration appears to have dropped that. We have an article coming out, my colleague Zack Cooper and I, in Washington Quarterly next week that catalogues all the descriptions of the pivot, or rebalance, in every major speech on it from the administration. And there's always a list of three or four priorities. And I won't read them all, but they change every time. Most recently, Secretary Kerry at SAIS said that the core of the pivot will be sustainable economic growth, a clean energy revolution, a rules-based stable region, dignity, security and opportunity. Very different list from Tom Donilon, Susan Rice, the president in past iterations.

So there is some confusion, I think, about exactly what the U.S. bottom line is. The president will be giving a speech in Brisbane at the end of the trip. He usually speaks most consistently about Asia. It's an opportunity to lay down clearly what the strategy is, what the

priorities are and what his commitment will be. Which gets to the second problem right now, which is I think most people who look at Asia would argue that TPP, the Trans-Pacific Partnership, is an essential pillar of a credible U.S. focus on the Asia-Pacific. USTR, Mike Froman, the trade rep, are working hard.

The administration's strategy, as many of you know, is to get a deal on TPP, particularly with Japan, and then use that to sell fast track or trade promotion authority to the Hill – convince them to then pass the fast track authority that would all the deal to be completed. It makes some political sense, but it's completely backwards. Every other trade deal we've done, we've done the trade promotion authority, or fast track, first and then TPP. That's harder in the U.S. Congress but, without it, we've not been able to get deals with major trading partners. Why? Because they question whether they should be putting their best deal on the table if the president hasn't secured authority from the Congress.

I was in Japan and came back Monday. I can tell you that at the highest levels across the Japanese government, there's a sense that there's progress. There are a few issues left but they're done. They've basically put the best deal on the table they're going to put until they see some evidence – and they were waiting for the midterms – that the White House is going to reach out and work with the Congress to get fast track, or trade promotion authority. In my view – I think Matt agrees – it doesn't have to actually pass before TPP but there has to be some movement. Ambassador Froman gave a very compelling strategic speech on TPP to a forum we organized with the Chamber of Commerce – best rationale for TPP I've ever heard. He never mentioned the three letters T-P-A. So there has to be some outreach for the Congress, there has to be some sense, in Japan, in particular, that Congress – Republican Congress – is on board, or we're going to very possibly be stuck where we are.

With TPP, the rebalance of the pivot will have real legs in the last two years of the administration. The president will meet Prime Minister Abe. The dynamics are pretty frosty right now between the U.S. and Japan on this, but it's a chance to reboot – I hesitate to use that phrase – but to reboot the politics of this negotiation and try to get it done.

The third challenge or problem of the pivot is that there's a broad impression – it's hardly new – that the U.S. has lost interest in Asia. Syria, ISIS, Ukraine – it will be key for the president to demonstrate that we're focused on our security commitments in Asia. It's a tough balancing act because China's reacting to everything that comes out of the administration and calling it containment – very unforgiving Chinese interpretations of what the U.S. is up to.

So let me turn briefly, before I hand it to Matt, on the specifics of the U.S.-China security problem and Matt will do the economic piece. Secretary Kerry, in his speech at SAIS, gave a generally positive view of China, an optimistic view, which I think is appropriate, and he didn't pull punches on some of the key security and political problems we have. He called for self-restraint and completion of a code of conduct with respect to the South China Sea and territorial disputes where China is using mercantile and maritime pressure, coercion on smaller states in the region. He raised cyber; tried to frame it as an issue where the U.S. and China could agree because China has a commercial interest in intellectual property rights. He raised Hong Kong and human rights. It's a good framing of the issues and trying to avoid turning these into zero

sum topics in U.S.-China relations. The problem is, although there has been some important Chinese contributions – China sent 1,000 medics to help with Ebola in Africa, has promised to cooperate on terrorism, at least with respect to Xinjiang and the Uighurs – although I’m not sure how much that helps us with ISIS – sent a ship to join RIMPAC for the first time – naval exercises that we do in the Pacific – but the FBI has been pretty clear there’s no change in China’s policies on cyber.

The FBI has been more open about the increase in hacker attacks attributed to China. Senate Armed Services Committee recently reported penetration of U.S. military contractors’ computer systems. And the FBI has revealed major data downloads of nonmilitary U.S. health care data from China. And on the South China Sea and the East China Sea; on the maritime front, also, no real change. There was some hope that the Coast Guard and naval activities in the South China Sea vis-à-vis Vietnam last summer, when they ended, that there might be a more relaxed Chinese attitude. Certainly in the East China Sea and in Japan, the number of incursions by Chinese ships went down but when the South China Sea-Vietnam operations ended, the incursions in Japan went right back up. Then in October there was a two-week period where some people saw some optimism because the number of incursions by Chinese coast guard vessels into and around the Senkakus went down. But when the data came out, it turns out that was because of tsunami – I mean, excuse me, because of typhoons and weather. And in fact, the operations around the South China Sea are at a routine, regular level now, with daily incursions by the coast guard. And what's troubling is, the PLA Navy, which used to operate two and a half, three hours' sailing time away is now within two hours' sailing time. So it has gotten closer to what's basically a coast guard standoff.

And then in the South China Sea, you've probably seen reports that China is expanding its military runway at Woody Island, at Yongxing, in the Paracels, which Beijing has announced will be used for regular patrolling of the Nonshau (ph) District, and which a lot of the people in the region see as a precursor to another announcement of an air defense identification zone, ADIZ, comparable to what China did in the East China Sea. So this is a tough nut to crack for the president. You can wrap it in rhetoric, you can try to build confidence, but the facts on the ground or at sea are still not a crisis but are still trending in a way that it's going to make this a challenging trip.

So let me end there and turn it over to Matt. Are we still using our –

MATTHEW GOODMAN: Yeah, we're going to –

(Off-side conversation.)

MR. GOODMAN: OK. Thanks, Mike. So economics is going to run throughout this trip on almost every – at almost every stop, and I think there are broadly three themes that will run throughout the trip: growth, trade and infrastructure. The good news is that everyone in the region wants all three of those things. The challenge is that there are some pretty significant differences about how to go about achieving those things. So that's just a sort of preamble.

Just to take the three economic stops, as it were: first, APEC. The APEC Summit, as Mike said, will be held on November 10th and 11th at Yanxi Hu (ph), which is a suburb of Beijing about 50 kilometers north of Beijing. Just quick background: APEC was established as a foreign ministers meeting in 1989, elevated to leaders level in 1993, so this is the 22nd summit. It – APEC as a group is made up of 21 Asia-Pacific economies. And if you're writing about this, be sure to say economies and not countries. It's designed to promote regional economic integration. China last hosted – first and last time it hosted APEC was in September 2001, a few weeks after 9/11.

China has laid out three basic themes for its APEC year. One is regional economic integration, which is a standard theme for APEC. Every host has that as one of its three themes; secondly, economic growth, structural reform, particularly with the adjectives innovative and inclusive growth and reform attached to that theme; and then thirdly, connectivity, meaning both hard and soft connections of infrastructure, people, institutions across the Asia-Pacific region. And this is where infrastructure comes up. It's going to be a major topic. There's been a lot of work in APEC over a number of years, and there will be a focus, probably, this year on public – on public-private partnerships creating the enabling environments for infrastructure investment in the region and generating long-term private sector financing for infrastructure.

Then APEC does a whole bunch of – under those three themes, a whole bunch of pick and shovel work to promote greater trade and investment in the region, including it has a commitment to a 10 percent improvement in supply chain performance by 2015, so a focus on global value chains, which is really the story on trade in Asia; fossil fuel subsidies, health, anti-corruption, women's empowerment. There's – (off mic) – oh, there we go – a whole array of issues that APEC cover, quite a broad agenda.

There are three nonheadlines, as it were, from APEC. One is TPP, as Mike mentioned. TPP is actually, in some sense, born from the rib of APEC. It's made up of 12 of the 21 APEC economies, and it is a path toward the ultimate APEC vision of a free trade area of the Asia-Pacific. As Mike said, right now the negotiations are not completed. There had been a hope that the TPP might be agreed by the time of this APEC summit. That is, I think now we can say with great certainty, not going to happen. The key dynamic that needs to change is the U.S. and Japan, as Mike said, need to agree on a bilateral market access deal. That is quite close. There is a maybe tiny hope that that could be done before next week, but I would say that's also pretty unlikely at this point. And as Mike said, TPA is key to this, so the question is whether the noises yesterday on the – by the president and the Republican Party leaders was promising because it indicated that trade and TPA specifically were one of the things that they might be able to agree on.

A second thing that is probably not going to be a headline here except in a way that I'm sure some of you will write, about the free trade area of the Asia-Pacific, there was a Chinese goal this year of setting a deadline for achieving a free trade area of the Asia-Pacific and doing a feasibility to start negotiations towards that end. That is now probably not going to be part of this. The free trade area of the Asia-Pacific is something that actually the U.S. championed back in about 2006-2007, so it's part of the APEC story, but the U.S. and other TPP partners are

reluctant to agree to a firm deadline to achieve a free trade area of the Asia-Pacific and a feasibility study towards that end until TPP is completed.

And then the third thing that will be sort of lurking around but not central to the APEC agenda is the Asian Infrastructure Investment Bank, which China proposed recently, and an MOU assigned two weeks ago, I guess, among 20 APEC – I'm sorry, 20 Asia-Pacific countries, and this is a Chinese initiative to promote greater infrastructure investment, as I mentioned, in the region. So far, some of the major countries in Asia have not signed on. India has signed on. Indonesia may sign on soon, but Korea, Australia, Japan, the United States have not signed on to this bank. And I can talk more about that, but that's going to be sort of lurking around the APEC corridors.

MR. GREEN: That works if you – (off mic).

MR. GOODMAN: It works now? OK. Here we go. It's heavy, that thing.

OK. Just to do G-20, I'm skipping so that the trip – chronologically, we're now skipping from the APEC meeting in China to the G-20 meeting in Brisbane, Australia, which will be held November 15th and 16th in Brisbane, as I said. Again, background, just quick background, this is the ninth summit of the G-20 leaders since the first summit in Washington in November 2008. It's actually – the G-20 is actually a G-49. I counted last night. It's actually 19 individual countries, plus the European Union, which brings another 28, minus four EU states that have their own seats, plus six invited guests, and those invited guests this year are Spain, Singapore, Myanmar as the chair of ASEAN, Mauritania as the chair of the AU, Senegal as the chair of the New Economic Partnership for African Development, or NEPAD, and for not – a reason that is not entirely obvious other than oceanic solidarity, New Zealand will also be there this year.

Australia has laid out two themes for the G-20 this year: growth and resilience of the global economy. Growth is a very traditional core of the G-20. That's what the leaders have been talking about since they met first in 2008, how to preserve and enhance global growth. Obviously, right now, global growth is weaker than everybody would like. The U.S. is growing, but not as fast as it might following a deep recession. And everybody else has growth challenges. Europe is on the brink of a recession, possibly deflation. China is slowing. Japan is still struggling to get onto a faster growth trajectory. So growth is something that everybody in that room at the G-20 is going to be very concerned about.

The specific Australian approach to deal with growth is to get the finance ministers in the G-20 back in February to agree to a target for raising global growth – actually raising global GDP by 2 percent over five years from the level of GDP that would be implied by current policy trajectory. So by 2018 the goal is to have an additional 2 percent of global GDP and to put in place new policies that would achieve that objective. So everybody is going to come to the Brisbane summit with individual growth strategies to achieve that target or to contribute to that target, and those growth strategies are probably going to center around, again, infrastructure, trade, deregulation, competition, structural reform.

Just a quick word on trade. The G-20 has done two things on trade since the first summit. One is to make a commitment to stand still – a standstill on protectionist measures. That commitment has been honored in the breach in many small ways, but fundamentally at least, we have not slid into the 1930s-style protectionism, so they'll repeat that. It's also tried to encourage the Doha round of multilateral trade to get to a conclusion. That has not succeeded yet, although last year they did encourage this trade facilitation agreement in Bali, and – so that's a sort of minor success. Unfortunately, India has since blocked implementation of that agreement, but that will be another topic of conversation. And I think this year there'll be a focus in trade on global value chains again.

The rest of the agenda is under the resilience banner. There will be financial regulatory reform. That's again been a central core of G-20 since the beginning. I think largely you're going to see a kind of victory lap about all the good measures that the financial stability board has put into place to strengthen bank capital standards to deal with firms, banks that are too big to fail, to deal with shadow banking, over-the-counter derivatives.

And then also under resilience, tax agreements, both to deal with tax evasion and tax avoidance. I think that may be the biggest headline thing that the Australians are hoping to come out of this summit. On evasion, there's already been agreement to automatic transfer of information on tax holders to crack down on tax evasion. And then on tax avoidance, there is a focus on base erosion and profit-shifting, or BEPS in the terminology, and there is a two-year action plan to with that. So that's going to be a major focus.

Also on the agenda will be international financial institution reform. That's been on the agenda since the beginning. What's holding that up right now is the United States Congress has not passed the enabling legislation to implement IMF quota reform, and the U.S. is paying a big price for that in the G-20 and more broadly in terms of the global economic governance story.

And then there'll be some energy where transparency of energy markets, fossil fuel subsidies, energy efficiency and then creating a more up-to-date architecture for dealing with energy issues, since you have, you know, the old world of OPEC and the IEA, but all of that needs to come together.

Finally, just one final thing about the G-20 is the Australians are aiming to have – and you'll be very glad to hear this as journalists – a three-page communiqué. If they achieve that, it will be historic, and I very much wish them luck with that.

Finally, just on the – now skipping back to China, the bilateral stop in China, just very quickly: Economics, as you know, has been a traditional source of stability in the U.S.-China economic relationship, but there is growing friction in the economic relationship. So the goal I think of both President Obama and President Xi is – are going to be to remove or manage that friction and to find ways to expand cooperation in economic matters. Again, both sides have a mutual interest in strong and balanced growth.

And on the U.S. side there is going to be quite a focus on domestic economic reform in China to promote growth but also to level the playing field for U.S. business there. So there'll be

a U.S. focus on sort of the old chestnuts of intellectual property protection, industrial policies and so forth plus some new serious concerns on cybersecurity and on the implementation of the anti-monopoly law in China, which is – in the view of U.S. business has been implemented in a – in a discriminatory way. And then China is going to probably focus on the investment climate here in the United States and on high-tech exports from the United States to China.

Both sides are going to try to put an emphasis on the bilateral investment treaty, negotiations which – towards which have been underway for a number of years but which the two sides agreed to accelerate last year. In theory, they're going to complete the framework of this at the end of this year, and China is going to come forward with a negative list of investment restrictions early next year. But frankly, this is going to be very tough sloggng. It's going to take probably at least a couple more years to get to conclusion on bilateral investment treaty. But I think that's going to become a new sort of organizing principle of bilateral economic relations.

And then you'll have cooperation on sort of economic related issues like climate change, Ebola, and then there will probably be talk about the Trans-Pacific Partnership and the Asian Infrastructure Bank. But I'm happy to talk more about that in questions if you're interested.

Ernie?

MR. SCHWARTZ: Now we'll go to our Southeast Asia chair, Ernie Bower.

ERNEST BOWER: Thanks, Matt. And welcome, everybody. It's great to see standing room only on a soggy morning in Washington. I'm glad to see the Washington media has pivoted towards Asia. It's very good. Welcome to CSIS.

This is going to be a tough trip for the president. When he – I think when Southeast Asia looks at this trip and him coming, they're wondering, you know, who is Barack Obama now after the midterm elections? And I think they will want to – they'll be trying to discern whether he has the commitment and political capability, political capital to follow through on earlier commitments that Mike talked about. And I think – I think that's important. I think they'll measure – they'll measure him on particularly economics for Southeast Asia. Economics is the foundational bedrock of security in Asia. And that means TPP. So I think the Southeast Asians are going to want to hear from the president, who I think has probably been spending political capital on elections and not on trade but is quickly shifting gears, as we know, and was meeting the Republicans I think tomorrow or Friday – yeah, tomorrow – to talk about areas they can agree on. It looks like trade is one of those, so that's very positive. And I think that will be seen very positively by Southeast Asian leaders.

Other signals that they expect from the White House, they've already seen sort of a hint. You know, they're – Southeast Asia was sort of mystified by the cancellation of Secretary of Defense Chuck Hagel's trip that was planned for Vietnam and Myanmar earlier this week. That's being read as an indication that the White House wants to focus on the economic aspects of the pivot. They will – the Southeast Asians will be looking for that when he arrives in Myanmar or Burma for his – for the East Asia Summit and the U.S. ASEAN summit.

This will be ninth East Asia Summit. President Obama will be getting back on track. You know, remember that he missed last year's East Asia Summit because of budget wrangling with the very same Republicans that have now taken the Senate. He'll be back. They'll be looking at – the U.S. will look at EAS very much as a security and political aspect of their pivot, whereas they view APEC and TPP as the economic element of the – of their pivot or rebalance to Asia.

That's not the way the Southeast Asians see it necessarily. And I think this is something that I hope the White House will work with economic managers in the U.S. government to address as they look to a pivot 2.0 or a resetting of the pivot.

Southeast Asia can't imagine an economic strategy for the United States for Asia that doesn't include China, so TPP looks a little strange to them. TPP is, as Matt mentioned, includes 12 countries, including the United States, but it's not eligible – I mean, not even all the ASEAN countries are eligible to join TPP. So they – I think everybody wants to see TPP get done. They want to see the president spending political capital on that. I think the Southeast Asians believe that the indicator for that will be a strong statement out of the Friday meeting with congressional leaders and a commitment to actually get TPA, trade promotion authority, which they'll see as a down payment of political capital, by the White House on trade.

Next year, the Malaysians will host the East Asia Summit, and that – so a lot of attention will be put this year on the structure of the East Asia Summit. I think the Americans and the White House will want to talk about rationalizing structure, how to work – how the ASEAN regional forum and the ASEAN defense ministers-plus meetings relate to the EAS, so I think you'll see some work on the structure of the EAS ahead of its 10th anniversary.

The president will also participate in the U.S.-ASEAN Summit, which is now a summit. It is – it has been institutionalized since President Obama's been in office from a leaders meeting which was, you know, clever – a clever way to say the White House wasn't sure they were going to show up every year for a U.S.-ASEAN meeting. It's now a summit. I think the – great credit to the – President Obama and the ASEAN side for institutionalizing this important level of engagement. I think the White House wants to emphasize economic engagement in ASEAN, which is smart. I think they're going to make a case for an – the incredible stock of U.S. investment in ASEAN, and I know some math is being done over at the White House. And you'll hear more about that.

But as a preview – and I think we've talked about this at CSIS – U.S. investment in ASEAN is multiples greater than it is in China; it is nearly 10 times as great as it is in India. And if you look at total U.S. investment in ASEAN relative to other investors in ASEAN and you include energy, we are the biggest investor in ASEAN by a factor of over two times.

After the meetings he does in Myanmar's capital, which is Naypyidaw – and for those of you who are skateboarders, it's sort of a paradise for you; there's 10-lane roads that have no cars on them; you'd really enjoy that – he will go to – and he'll do – I should say he'll do a bilateral with the president of Myanmar Sein there.

You can tell the White House is managing the Myanmar trip very carefully by the fact that the president called both the president of Myanmar, Thein Sein, and Aung San Suu Kyi, the leader of the opposition, earlier this week to get ahead of that trip.

The president has three important issues to manage with the – in the Myanmar situation. First and, I think, foremost on most people's minds is the 2015 election. Right now, Daw Aung San Suu Kyi cannot run. She's precluded by the Burmese constitution from being eligible to run for president. I think the Americans would like to see constitutional changes made before the election so that she would be able to run.

There's going to be a question, and I think this will be a hard one, between the White House trying to support continued reform, economic and political reform in Myanmar because after all, this is a country that was – had cloistered itself for nearly four and a half decades and has made an incredible amount of political and economic reform. But I think there's a real push from Senate and House legislators, including the new Senate leader, Mitch McConnell, on human rights and democracy in Myanmar. So the president's going to have to address this, and I think he should. The fact that democracy and reform in Myanmar cannot be allowed to stall, but I think there also – there's a recognition that you have to be practical about how much change the country can handle at one time.

The other two issues that he has to address while he's there are the Rohingya, the plight of the Rohingya in Rakhine State, and I think Steve will talk a little bit about that, and the effort to achieve regional cease-fires. The – if – Myanmar has a strong core Burman population, but they have cease-fire negotiations with a wide group of minority – minorities on the – on the periphery of that center. And actually, that's going very well. So sovereign – the sovereign integrity of Myanmar is important, and those ceasefires having a political basis, not just a military basis, is vital.

And finally, I think it's a very important story that this is a – that the new president of Indonesia's coming out party. Joko Widodo, or better known as Jokowi, will be at the APEC, EAS and the G-20 meetings. There was an earlier fear that he might not go to the G-20. He's going. And I think – and President Obama will meet him for the first time and do a bilateral with Jokowi, I think in Brisbane, in Australia, and that should be a very important meeting. Indonesia is half the population of ASEAN. It's got half of ASEAN's economy. And I think what we are going to see, folks, is a much more – it may be nuanced and may have characteristics of – Javanese characteristics, which means sort of nuanced and it's indirect, but I think the Indonesians are going to play a very big role in areas like foreign policy and national security concerns in the East Asia Summit and in Asia generally, under Jokowi's five-year – five-year term.

And coming to that, I think one thing that you'll see out of the East Asia Summit and the U.S.-ASEAN Summit is a – is a growing determination to stand up to China on the maritime security threat that China has very practically posed. Mike mentioned – and he's correct – that the Chinese have not let off – their foot off the gas on the South China Sea. Rhetoric from China on a code of conduct is – it – really, you can – the best way to look at this is it's like the Charlie

Brown cartoon where China would be Lucy holding the football and ASEAN is Charlie Brown trying to kick every time, and the football is the code of conduct in the South China Sea. I mean, the Chinese are holding it, saying, we're serious this time; come on, come on, kick it. And then they pull it back every time.

So I think – I think ASEAN really wants the United States to continue its role in putting this on the agenda, talking about it, and we see increased ASEAN cohesiveness behind the South China Sea issues.

There's also a quiet determination in the Southeast Asian countries, despite, as Matt mentioned, many of them joining the ASEAN Infrastructure Investment Bank, for the United States not to be in a defensive crouch on these economic initiatives. I think the United States has been put into that sort of reactive mode on the Asian Infrastructure Investment Bank, also on the FTAAP – the Free Trade Area of the Asia-Pacific – feasibility study, and the way to get around this is play offense. And I think what we haven't seen – from all the good things from this White House, we have not seen a comprehensive economic strategy for Asia. If – it's not hard to put in place. They've got all the pillars of it right. But if they can – if they can get their act together and articulate a strategy, I think Southeast Asia and the rest of Asia will be – will be game for that, and they're very much interested in not having a Sino-centric order of economic integration or, God forbid, political integration in Asia.

So thank you very much, and I'll –

MR. SCHWARTZ: We're going to wrap up with Steve Morrison, with remarks from Steve Morrison. And Dr. Morrison is the director of our global health program at CSIS.

And then we're going to open it up to your questions, and when we do, please use the microphone. For those on the periphery, we'll be passing around a microphone, and if you can identify yourselves, that would be very helpful.

J. STEPHEN MORRISON: Thank you. Andrew, thank you very much for pulling us all together, and good morning.

I'm going to speak briefly about a mission that we had to Myanmar recently, in late August, but before that, a few words about Ebola.

You know, the president yesterday announced a \$6.1 billion supplemental for Ebola, the majority of that money for overseas purposes, both in West Africa and in support of the broader global health security agenda. That's a – that's a lot of money. It's twinned with the ISIS request. And clearly it's something that's going to have to be negotiated carefully with Congress, and it may carry a price tag to it in terms of compromise on travel bans. And going out to Asia, he's going to raise the issue of getting others to do more. We have been the lead power in the response, with a billion-dollar-plus commitment on both the military and civilian side. This steps up the game significantly. We cannot do this alone.

Others have come to the table – the U.K., the World Bank, the EC and others – but the – but the response from other parts of the world and other major powers has been very paltry. And this is despite a very aggressive diplomacy led by Ambassador Nancy Powell and John Kerry and others. Australia announced a \$24 million commitment just recently, following the announcement of the travel ban, which was itself quite controversial.

China is an exception within the region in terms of its response. It's announced up to \$200 million of commitments. It's deploying several hundred health workers. It's making the case it has special capacities and experiences, dating back to SARS and pandemic flu response. Most of its efforts are concentrated in Sierra Leone, whereas the U.S. responses are concentrated in Liberia. This is a very welcome, positive development, to have the Chinese making a commitment of this kind, for multiple reasons. The region itself is alive to the threat of Ebola. You'll see this in terms of intensified scanning at airports and other points of entry. You'll see this – the region is really quite alive to the threat. And I think that's changed significantly in the last six weeks.

I will – I will try to minimize any of the redundancy with Ernie's comments, which I completely agree with. The delegation that we took out in August to Myanmar – it's a follow on to an earlier mission a year previous focused on health. This one was one that we did jointly with the Sumitro Chair for Southeast Asian Studies. Ernie's deputy, Murray Hiebert, who I hope is here, was the co-leader of that with me. We went out there, really prompted by what we saw as a hardening of attitudes here in Washington, away from a sort of forward-leaning optimism about this transition and towards one that was moving towards harder, negative conclusions that things were regressing or stalled.

And we framed up this around that question of which direction are things going. And we put a focus on the governance issues around elections and constitutional reform, around the peace negotiations with the ethnic states and around the development agenda, with a special focus on health. Congress is moving to be more aggressive and impose greater restrictions legislatively. The opinion climate has hardened. And that's something that the president has to deal with as he moves forward here.

Just a – in terms of our impressions, the electoral season is fully upon folks in Myanmar. You will see that this has become an overriding prism, that there's a lot of excitement, there's a lot of interest. This is a lot – there's a lot in play. And we don't know what's going to happen in terms of these constitutional provisions that Ernie pointed to and what will ultimately be the calculus of Aung San Suu Kyi and the opposition and the ethnic states. This is a very fluid set of negotiations and back and forth right now.

On the cease-fire negotiations, in August there was a commitment towards federalism as a goal and towards long-term negotiations on the political agenda. There's been further bad news around that, which we detail in our report. So it's back and forth and still hard to draw conclusions. On the health agenda, what's remarkable is that you have major interests – the global fund, the World Bank, the USG using its role, the U.K. – on a long-term basis to facilitate the reform of that sector and major advances.

And, as we detail in this report, they are beginning to show substantial, substantial gains. But they're making those calculations on a three to five year time frame, not on – it's not keyed to whether the electoral cycle is successful at the end of 2015. It's keyed on the notion that there's a government to work with, there are partners to work with, the environment is favorable and that international organizations and NGOs and others can move ahead.

Related to that on health, we put a big focus on – (inaudible) – and resistant malaria. That may sound like a technical – purely technical issue, but in fact it's a – it's a threat to disable the therapies that exist globally right now in control of malaria. The resistance is centered within Myanmar and within the greater Mekong subregion. And there's an enormous amount of activity underway right now to begin to combat that. We put quite a bit of detail and emphasis on this. The militaries have to be brought into the equation. They are being brought into the equation. The Global Fund has done a remarkable job at putting resources in (and ?) the Gates Foundation is involved and the like.

Ernie mentioned – (inaudible). We were – I think during our visit where we spent a lot of time talking to the parties to this, both government, MSF, U.N. and others. It was a fairly brutal assault back in March upon MSF and the U.N. The state federal union authorities pretty much abdicated responsibilities and stood back while that happened, and now there's been a process of trying to repair the damage.

The president has put special emphasis on this, Congress has put special emphasis on this. This is a problem that is terribly complicated and difficult to reconcile and move forward, and it's not going to be fixed tomorrow, but it's something we can't turn away from, nor have we. And I think the U.S. embassy and Derek Mitchell, Ambassador Mitchell, has done a sterling job at putting a stake in the ground standing up to this abuse and insisting upon holding the government to account for it, and I think deserves enormous amount of credit on that. I won't go into detail about the Buddhist and Muslim violence, land grabs, crackdowns on journalists, but the – it's in – it's in the report.

On the big issues around the constitutional matters and the electoral preparations and the like, it's just stay tuned here. Our view is that the U.S. has struck a middle path of being engaged but being cautious and continuing to call out those areas that are most problematic. The U.S. engagement there draws broad and wide support across the political spectrum. It continues – we have been able to navigate as a country a very – a very difficult and politicized environment. I mentioned about Rakhine needs to continue to push that.

On the electoral piece, which is going to the central prism leading into 2015 for making judgments, NDI, IRI, IFIS are on the ground operational and doing a terrific job. We put a spotlight on that and called for stepping up that effort in specific ways. On the health, we applaud what has happened and call for a doubling of the U.S. bilateral engagement and continued very strong support around the Global Fund and the World Bank.

Just in closing, we need to be realistic around U.S. leverage, we need to be realistic around these – this complex transition. We should not rush to judgment around making headline conclusions, categorical conclusions about where things are and where they're going to be in

another year, because I'm not sure that that's a particularly prudent way to judge something as complicated as this. Thank you very much.

MR. SCHWARTZ: Thank you, Steve. And we're going to open it up to questions. First, I'm going to go to George Condon.

Q: Thanks. Two questions. One, you talked about some specific things on U.S.-China relations, how would you characterize the overall state of the relationship? And secondly, what role does this election play? You mentioned the little things, but how much has the region and the regional leaders paid attention to the U.S. election and this guy that they once saw as a rock star, do they see him as a weak lame duck? Are they looking past him? I mean, what – does he have to prove to them that he's still a leader on this trip?

MR. GREEN: I think the China-watching community in general in Washington has been a bit surprised that Xi Jinping as leader has been less accommodating, tougher than expected. The saying in Beijing one hears now is he talks like Mao – excuse me, he talks like Tung, acts like Mao, and the expectation was that simultaneous pressure against India, Japan, the ASEAN countries, cyberattacks on the U.S. that this would lead to a natural pushback.

Indeed, as Ernie said, for ASEAN, which tends not to like tension, there has been an unprecedented amount of pushback, but what's been surprising is it hasn't appeared to lead to any calibration in Chinese foreign policy.

So I would characterize the U.S.-China relationship as one that is not in a downward spiral, but one where a heightened level of tension is the new normal. And the challenge for the president is to continue framing the relationship in a win-win way because, as Matt and others have said, on economic – on broad economic issues, management of North Korea and regional integration, we're still generally on the side.

I mean, it's noteworthy that China is hosting APEC. APEC is a Trans-Pacific grouping. It's putting enormous effort into it. This is not an APEC summit in Beijing that's designed to push the U.S. out. Quite the contrary, China wants to accelerate movement on the free trade area of the Asia-Pacific, which would include all the APEC members, us, Mexico, Chile, Canada and so forth.

The reason the administration and others are saying no is because it's too fast; we have to get TPP done and through the Congress for two reasons. One is to set the rules before we get into deep negotiations with China. And the second is the Congress can't digest a trade agreement right now that includes China. So we're slowing China down a little bit, but in some ways, China's major theme for this APEC is more integration.

So the overall context is not one of downward spiraling hostility, but the level of tension is higher. The Chicago Council on Global Affairs last year released its biannual survey of American views of the world. Forty-nine percent of Americans say U.S.-China relations are adversarial. Forty-eight percent said they're cooperative. Only 3 percent of Americans didn't have an opinion. That's probably about right.

MR. BOWER: I would just say on the – you know, what are the – what do the Asian leaders think – is he a rock star, is he a lame duck – I think the jury's out. The hope is that – and I think the narrative among a lot of elites, including leaders, is that President Obama has the Asian engagement DNA in his blood. It's what he wants to do. But he has – he has been sort of hijacked by domestic politics and the elections in the United States and that now he may be able to turn to Asia for legacy issues.

Look, the guy wants – he said himself, his self-prophecy was I will be the first Pacific president of the United States. He speaks Bahasa Indonesia. He was born in Hawaii, grew up in Indonesia. And for the Southeast Asians, they do hope that this is a guy who can help talk to Americans and set a foundational understanding among not just politicians but among Americans that Asia is vital to the future of ourselves, our kids, and future of not only our jobs but our security. And I think that's the hope. So there is still that hope there that because he lost the election, that that's what he'll have to accommodate, work with Republicans, do trade and then start to talk to Americans about Asia.

MR. GREEN: I just want to make sure I got one fact right – trying to remember what I said – the Chicago poll said forty-nine percent said cooperative; forty-eight percent said adversarial. I think I said it the other ways around.

MR. SCHWARTZ: Gideon (sp).

Q: Hi. You – sounds like there's a kind of almost a tacit battle for influence between the U.S. and China over sort of gaining friends in Asia. And you mentioned that ASEAN was kind of welcoming American engagement and American pushback against China in the South China Sea. But I've wondered, is there other divisions without ASEAN? Which countries in that grouping are leaning more towards China? And I would guess Cambodia was one that was always identified, but Thailand perhaps?

MR. BOWER: Yeah, and I think it's a fair question. I think the – from ASEAN's point of view, we have to remember balance over everything, balance in everything. So if it was the Americans that were playing, you know, complete offense and we had all the ideas and China was on its back foot, there would be a demand pull for more Chinese engagement from the ASEAN. So we have to be careful about understanding that. But right now we have a historic window in the United States – you know, it's the three A's. Obama has Abbott in Australia pulling for him, pulling for more U.S. engagement. He's got Abe in Japan and ASEAN. Everybody's lined up. They want to see the Americans playing offense in Asia.

Because of the proximity, geographical proximity of China, because of China's – this disconnect between China's rhetoric, what it says it wants to do and what it's actually doing on and under the seas, that worries ASEAN. And quite frankly, they want it all. They want – they want China to feel safe, secure and be economically successful so that they can share in that success. But they want the Americans also to be economically engaged, successful and deeply engaged on a security basis so China doesn't use its newfound economic might to impose its own definitions of sovereignty on smaller neighbors.

Q: (Off mic.)

MR. BOWER: You know, I – personally, Gideon (sp), I think this is overplayed. You know, I talked to the Cambodians, I talked to Hun Sen a year and a half ago, and he told me, you know, you guys misunderstand where we are on China, that we want the Americans to be engaged. He sounded like every other ASEAN leader to me. He wants balance. Now, in practice, his foreign minister has been off the reservation on that front – I mean, and that’s being very kind, because the cameras are rolling, but I actually don’t think it’s particularly useful to do, sort of, a spectrum of the ASEAN countries on this issue.

MR. SCHWARTZ: Kristen (sp).

Q: Thank you very much.

MR. SCHWARTZ: Can you use the microphone, please?

Q: Thank you. What should President Obama’s message be on Hong Kong? Obviously, a lot of Americans watched the pro-democracy protestors; they’re going to have a lot of interest in that. How fine of a line does he need to walk? And also, in terms of the constitution in Myanmar, is it realistic to think that it can change before the elections, and what specifically would have to happen? What does that process look like? Thank you.

MR. GREEN: On Hong Kong, there is concern in the administration, because within Chinese media and government circles, there are accusations that the United States is the evil hand behind the protests. My recommendation would be, don’t worry about that – that, you know, the president should speak out clearly for – in support of what these people in Hong Kong are asking for. I think there are ways to wrap it in language that suggests this is good for China’s development; it’s good for China’s relations with other parts of Asia – across the Straits of Taiwan and so forth. But I think, as Margaret Thatcher might say, this is no time to go wobbly.

And judging from Secretary Kerry’s speech at SAIS, I think that’s where they’re coming down. It’s always harder to do this when you’re in Beijing and you don’t control the media environment. And it may be that Secretary Kerry was saying this so the president didn’t have to say it as loudly. And I remember traveling with President Bush and trying to think about how to talk about these issues in Beijing, but he did, and he found ways to talk about religious freedom and other issues. But to frame it in terms of what’s in China’s interests, ultimately –

MR. BOWER: If I could just maybe stitch the two together – I think – I sure hope Mike is right. I think the Americans have to talk about this. The president has to talk about this, because if you look around Asia, there’s a lot of analysis going around that democracy is being, sort of, stepped back. I think that’s absolutely wrong. And I think if you look at the two events that are happening at the same time – the democracy protests in Hong Kong and Jokowi rising out of nowhere – a small town in the center of Java – not part of any political party; not part of a scion of a great Indonesian wealthy family – where do you think Asia is going? And I’ll tell you, I can and have made the case that I think Southeast Asia, notwithstanding the – I think we just

have a – sort of a bubble going on in Thailand – is moving forward – the middle class – empowered middle class is going to move forward. And they want to hear President Obama supporting this kind of event.

On Myanmar, I'll ask Steve to comment, since he's just been on the ground, but that's a very good question. It is legally possible to – there is time to change the constitution. Politically, very hard to see how that could happen. So it would be extraordinary, and I think, part of what the White House is trying to manage right now is – the honest read is, it's almost impossible to get that done before the elections, and partially, because the elections are coming, but – and so if that – if it doesn't happen, I think what we should be worried about is throwing the baby out with the bathwater and saying, OK, well, Myanmar's economic and political reform has failed because they didn't get across that – the line.

I personally, having spent a lot of time – or a fair amount of time in Myanmar, and some of it quality time with Aung San Suu Kyi. She didn't say this, but I felt like she – I thought there was an understanding there that she wants this change before the election, but if it can't be, I think there's an iron determination to continue to fight, and maybe if her party – LND wins – I thought she thought that there was room to get enough votes, potentially, to make changes after winning and controlling the parliament.

MR. MORRISON: We detail in here – there's two provisions that are at – been at play, one – and one is one provision within the constitution is the one that bars her, because of citizenship issues, and the second is the provision around the set-aside of 25 percent of parliamentary seats for the military. And most of the debate within the constitutional committee of the parliament has centered around this.

And I agree entirely with Ernie. I think the signals are pretty clear that we're not going to see in the run-up to 2015 – the odds of seeing resolution of the first of those two or the second, to open the process sufficiently where there's a clear shot at full victory by Aung San Suu Kyi – those odds are low.

And we face a predicament here, which is, first of all, she has to – she and the opposition have to make an internal calculation at some point in time about how much do they lean in and play, and how much do they lean back and not play. And those determinations have not been made yet.

But the U.S. government faces a broader predicament of trying if – you know, how do we reach judgment on what's free and fair in this – you know, ultimately, in what happens in 2015, if it doesn't – if it doesn't include those major reforms and an opportunity to have a full – a full run at possible victory. And I think that's what Ernie's getting at, that beyond those – 2015 election, there's a real question of what is the U.S. approach and what's good enough or what's sufficient to be able to continue, because the election outcome is going to – is going to determine, I think, a great deal of what our bilateral relationship looks like post-2015.

MR. GREEN: Could I say, though, on this one I'd fault the administration. There was high-level engagement. Secretary Clinton took a risk on this policy issue, Kurt Campbell and

others at senior levels. They achieved an important historic shift. They – White House chalked up as one of the, you know, signature achievements of the pivot, and then, except for our friend and CSIS alumni – alumnus Derek Mitchell in Rangoon, senior officials in the State Department and the White House dropped this.

And now the president's going, and my sense – I'm not talking about civil society engagement or colleagues at the table, talking about senior U.S. officials – I think they just put on the scoreboard, and they dropped it, and now they're scrambling. And there probably should have been a higher-level sustained engagement, not just to turn the corner with Myanmar but to make sure that we were engaging at high levels to make sure we didn't hit the difficulty we're having now.

I'm not – I think I'm with my colleagues. I'm not sure we could have or Aung San Suu Kyi could have achieved a full, you know, free election in 2015, but you look at the range of issues and problems we have. I think we would have benefited from more high-level engagement over the last two years than we've had.

Q: Thank you. Heather Scott with Market News International. First, you mentioned that IMF quota reform is jeopardizing U.S. legitimacy or U.S. leadership in the region. Can you give specific examples of how – what that's costing the U.S., the failure to pass that reform?

And also, you'd said that the U.S. needs a comprehensive strategy on ASEAN, that they've got the pillars but don't really have the full – the full strategy. Can you explain more what you mean and what that would look like?

MR. GOODMAN: Well, the IMF quota reform was something that the U.S. championed in 2010 at the Korea summit of the G-20. And it pushed it because it recognized that for the IMF to continue to be an effective institution of, you know, global economic governance and ability to do surveillance and monitoring and – of economic policies and to make loans where necessary, it needed to address the so-called shares and chairs imbalances of governance of the institution itself. And so it pushed this agreement. Everybody agreed, everybody's implemented it, and the U.S. has failed to implement it because of Congress' unwillingness to approve a relatively minor – there is a budgetary hit from doing this, but it's relatively minor. It's mainly a transfer of money that was already committed to another pot. And I think that's had tremendously damaging implications for the IMF's effectiveness, for the United States' ability to sway others on IMF-related issues or broader growth issues within the G-20. And specifically, I think it's fed the frustration of the large emerging economies that want more voice in global economic governance, and I think you can draw a line from this failure by the U.S. to follow through on this commitment directly to the establishment of this Asian Infrastructure Bank and the BRICS Bank, as well, before that, which may end up being useful pieces of the architecture, depending on how they end up being governed and how they end up being run.

But I think just in terms of the – if the U.S. has an interest in supporting the best elements of the Bretton Woods system that it helped champion in 1944, then it needs to follow through and do this reform. And I'm, you know, certainly hopeful that in a new Congress, this will be

taken up again and passed quickly, because it is getting in the way of a lot of the things we're trying to do in the region.

Q: Can I just ask a follow up on that? Is there an economic trade impact as well? Is it spilling over into those negotiations as well?

MR. GOODMAN: I mean, in a broad sense, yes. I think it's effecting our ability to be a champion of the rules-based order that we're trying to update and uphold – for example, in TPP. I don't think it specifically comes up in TPP negotiations or is an obstacle to, you know, agreement on state-owned enterprise reform or IPR or disciplines or whatever. But I think in a broad sense, it does effect U.S. credibility and effectiveness.

MR. BOWER: What I meant is we've got – we've got important pillars in place, where – like the TPP for instance is not an Asian economic – it's not a U.S. strategy for engagement in Asia economically. It is – it is an important pillar. If we did that, it would have – it would have set a high-level, rules-based model that others could dock into. We need to do that. But we – what we're failing to do is articulate a broader – connect the dots, basically – to connect the dots of the TPP, bilateral investment treaties that we are negotiating and have negotiated, free trade areas that we have with Australia, Korea and Singapore.

What we need to do is articulate over the TPP a vision for why Asia's important to Americans and what our strategy is to make sure that we are not only deeply part of, which we are, but that we are driving this rules-based order of how Asia will be structured and how it will integrate. And this isn't hard. We have all the pieces in place. We have to sort of talk to – talk to what we think. And I think once we do that, we're going to be in much better shape.

MR. GOODMAN: Can I just add a quick footnote? I agree with all of that, but let me just say that in theory the TPP strategy was designed to incentivize a growing group of Asia-Pacific economies to join this updated rules-based system – 21st century rules-based system. And it's actually worked in the sense that it started with five countries, it's now 12. When Japan joined, China immediately took a renewed interest in TPP. It has been looking at TPP as a form of containment or exclusion – an attempt to exclude China from regional economic affairs.

When Japan joined, China understood that this was a strategy of trying to draw China and others into this global rules-based order. And the reason I say that is just that I – while I agree with Ernie, you need a broader framing because it's not just about TPP. The reason TPP's so important is that it is designed to – you know, to pull people into this higher standard system. So it's just absolutely critical as a trade and broader economic strategy in Asia.

MR. BOWER: So we just need Matt back in the White House. (Laughter.)

MR. SCHWARTZ: We're going to go to Julie Pace and then Howard.

Q: Thanks. Julie Pace from AP. I wanted to follow up on something I think Mike said about Xi being less accommodating. Can you give any context on why that is, and the administration's thinking on this, given that they invested a lot of time and seemed to put a lot of

emphasis on having Obama and Biden, in particular, build kind of a personal relationship with him?

MR. GREEN: I think the – one of the fundamental conceptual flaws of the pivot has been a failure to assess the nature of China's behavior in Asia. And I think there have been different views within the administration. Until recently, there was a strong view that much of China's assertive behavior in the East China Sea and South China Sea were driven by domestic pressures, nationalism, by the Philippines or Japan or Vietnam provoking China. There's been another view, primarily in the Pentagon, which is that this is in fact part of a Chinese strategy, if you will, to steadily assert more and more control over the so-called first island chain that stretches from Japan down, and to do so, first, by denying or complicating U.S. access and then asserting control. I think the – my sense is that the center of gravity in the administration in terms of trying to understand China's shifting towards that latter view. And part of the reason is because, as I said earlier, Beijing under Xi Jinping is not adjusting or calibrating as countries push back. And now why is that? I think part of it is that Xi himself has a history, a tradition from his father, from his time as a PLA staffer in the Central Military Commission, of thinking strategically about China's interests and how to secure them, especially in the maritime area.

I think part of it is that Xi is a Marxist – literally, he's a Marxist in the sense that he's interested in the Marxist dialectic and sees the forces of economic favoring China over time. And there are views in Asia – across Asia – Southeast Asia, I've heard this, Japan and elsewhere – from senior officials, that, frankly, the Chinese side is not calibrating because they see a certain distraction and weakness in Washington and they see a window of opportunity before they get Hillary Clinton or a Republican in 2017 that's going to be harder-line. Now that's hard to prove, but it has been striking to me that I've heard that hypothesis in a number of Asian capitals.

And so, take your pick. Bottom line is: I think that consensus is growing that there's going to be more viscosity, more tension with China over the next few years – doesn't mean, as I said, it's a downward spiral, but it's going to be coming at a time when the administration has a lot going on in other parts of the world.

Q: Thank you. Howard LaFranchi, Christian Science Monitor. On TPP: specifically, on the U.S.-Japan Trade Access Agreement – I thought I – I thought I heard, maybe, a little discrepancy in views. I think Michael talked about frosty talks and then Matthew said – talked about being quite close, so I'm wondering where that is and – actually – and maybe how you see the – you know, these midterm election results how influencing, you know, whether or not the president gets TPA.

MR. GOODMAN: Frosty, but close, I think is the – is the way to put it. I mean, look, these negotiations are very hard, very complex. I mean, you've got 12 countries of different levels of development and different, you know, views on these issues, different capacities and you have with the U.S. and Japan a long history; a lot of baggage on trade relations that has to be cut through to get this done and then there are personal issues. So all of that is leading to, you know, a strained set of talks, including the bilateral ones between the U.S. and Japan.

But that said, both the U.S. and Japan and the other 10 countries in TPP all have a very strong interest in getting TPP done and I think that's ultimately getting – cutting through the, you know, whatever tensions or feelings people have in these negotiations. In terms of interest, everybody wants to get this done and certainly the U.S. and Japan want to. I think the – they are close. I think the gaps are well understood by both sides and it's just a question of some final political impetus behind them to get it done.

And that leads to your second part of your question, which is, I think, the real obstacle. I agree that – you know, that in practice, the lack of TPA authority has made it more difficult for the U.S. and Japan to reach this agreement and it's time for TPA to move. I'm encouraged by the early indications, as I said, of the – both the Republican leadership and the president himself that they are ready to work on moving forward TPA and I think that that's a – that must happen in order to get – I mean, as a technical matter, I think TPA is going to have to be passed, if only five minutes before TPP is put in front of the Congress, because you can't have TPP being nicked and dimed, you know, in the congressional debate. So it has to happen and the sooner, the better.

MR. GREEN: Last week in Tokyo, I heard from ministers, from senior trade negotiators, that this is the worst dynamic since the trade wars of the 1980s, that Mike Froman and Minister Amari can't stand each other, that the tension in the room is palpable, and so I said, oh, just like every other trade agreement right before we finish it. So in that sense, it's more of the same.

But TPA is really blocking this, because the Abe government – which probably has a bigger economic and political stake in TPP than the U.S. does – is nevertheless stuck internally because of questions about whether the president can deliver to Congress.

And that's based on the history of how we've done these deals; we've always had TPA first, and it's based on their observation of how things have gone with the Congress for the last six years. So these rays of hope on Friday may turn that around. If it doesn't, I think, sadly, we'll be stuck, you know five yards from the end zone.

MR. GREEN: Let me just – if I can shamelessly buy a sound bite here – it's always noisiest before the dawn in trade agreements. So I actually am encouraged when I hear the stories about tension and noise, because it shows that the two sides are getting close to the difficult political compromises that are going to have to be made. So I actually think there is a – it's consistent.

Q: A question – Shaoyung Shao (ph) from Wong Hua Daily (sp) – a question for Matt. As you mentioned, the AIIB has some 20 countries sign up already, and according to recent reports, Australia, Korea is positively – actively considering to join in the future. So the question is, how likely will United States change its position? Because the AIIB has already gained a lot of support. Under what kind of circumstance or conditions might U.S. consider to join it in the future?

MR. GOODMAN: I think that's a possible as a matter of administration policy, whether this administration or some future administration. In fact, you know, I might even say that that's

ultimately likely if this institution gets up and running. But as a practical matter, let me just be clear: The United States cannot join this bank in the near-term as long as Congress is not willing to do the things it needs to do to enable that. I mean, if they can't pass IMF quota reform, which is a relatively minor change with a relatively minor budget hit, do you think that they're going to approve multi-billion-dollar appropriations for a Chinese-led bank? I don't think so. So it's not going to happen as a practical matter.

Now, that said, and in answer to your question, I think that, like the United States, Korea and Australia have their own – and Japan have their own concerns about the way this institution was launched, and there are a number of questions about the governance structure, how the shares and chairs and that institution are going to be divided up, and in particular, how the operational lending standards are going to be set. You know, are there going to be environmental standards? Are there going to be debt sustainability standards? Is there going to be open procurement so that anybody who gets one of these loans can buy products and services from anyone, or will there be a favoritism for certain suppliers?

So there are a bunch of questions like that which are legitimate questions that the countries thinking about joining this institution need to work through with China, and China needs to explain those things. I think, actually, the concerns that have been raised have actually moved the needle, and China, I think, has realized that some of these issues need to be – they need to address them themselves to make sure that this institution can work effectively, but they also – to convince people, they're going to need to clarify how those governance and operational questions are going to be – are going to be followed through.

So I think that – I'm not sure whether Korea and Australia are going to join. There is an argument in both countries that joining would enable them to work within the bank to shape those issues, but there's also an argument that once you're in, it's very hard to change these dynamics, and the bank is going to be based in Beijing with, you know, a 37-percent Chinese capital is, I think, the target. So, you know, it's going to be hard for any other participants to really change things once they're in. So –

MR. SCHWARTZ: We've got time for one more. So we're going to go right here.

Q: Thanks. Just a quick one for me. I just wanted to ask what your expectations might be of the – from the Obama-Xi informal summit at APEC – I think it's on Wednesday? Are we going to expect something good from that, or is it going to be anything like previous Sunnylands summits or –

MR. GREEN: Not much came out of Sunnylands, so – the most important of Sunnylands was the bilateral investment treaty, and I'm not – they'll say something positive about it; I don't think there's been enough movement – Matt would know better – to actually announce a significant landmark, let alone completion. The administration's negotiators are focused on TPP. And some have criticized that, but I think they're probably right.

There is – Secretary Kerry previewed an agreement on CO2 emission and the environment that'll be – that'll be of some significance and will be announced. There's a

possibility of an announcement on military-to-military transparency, for example. And then some agreements on people-to-people exchanges and things like that. But I do not expect some large framing agreement on U.S.-China relations. The administration's tried that. In 2009, they issued a statement in Beijing with Hu Jintao where each side would respect each other's core interests. And it unraveled because it just wasn't credible.

The new model of great power relations, which sort of was the 2012, '13 effort to do that again, has sort of fallen apart. I noted Secretary Kerry didn't use that phrase yesterday. I suspect the president's going to be wary of some, you know, effort to reproduce the famous three communiqués or something like that, and be businesslike. And he'll have to speak out, and I suspect – I'm sure he will, in some form, on Hong Kong, cyber, East China Sea, South China Sea, and try to find some positive examples of cooperation.

Xi Jinping will probably talk about new model of great power relations and other things for his domestic audience. So you'll have two parallel narratives that don't quite square. And that's probably OK for now.

MR. SCHWARTZ: With that, I want to thank everybody for coming today. This briefing will be posted online later this afternoon at CSIS.org. Please follow us on Twitter at @csis. You'll get advanced notice there as well. Thanks very much. (Applause.)

(END)