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Thank you very much and I am very happy to join you for the first time at the World Policy Conference. Talking about the G2, I think that the most important phenomenon is that the United States-China relationship is probably the most complicated relationship in world history as well as the most difficult to forecast.

The G2 as an idea is controversial in China. The Chinese leadership's attitude is one of denial and resistance, for three major reasons. Firstly, the leadership knows very well that China's power and national capabilities are still a long way behind those of the US. Even though the size of its economy may catch up with US in the next decade or so, if we measure China's power in per capita income, when the US and China are at par with each other in economic size, because the Chinese population is five times as large as that of the of the United States China's per capita income will be one-fifth of that of the United States. That is, China will still be a very poor country compared with the United States, Japan and Europe.

Let me take the renminbi, the Chinese currency, as an example. You save your money in US dollars, euros and Japanese yen but few people save in Chinese yuan, and that will not change in the foreseeable future.

As regards science and technology, many scientists in China tell us that the gap between China and the United States is not narrowing but enlarging because China suffers from brain drain. My best students go to the United States for further education and do not take jobs in China immediately after graduation. According to many polls, the richest people in China want to emigrate abroad and their first choice is of course the US. In terms of education, my university has the aspiration of becoming a world-class university in under six or seven years and while I hope that that will be achieved, I am not very optimistic when you compare the real gap between it and Harvard, Princeton and other leading US universities. I think that the leadership is very aware of this and that is the first reason why they do not accept the idea of the G2.

The second reason is that the promotion of the idea of the G2 could have negative international repercussions. It could generate jealousies from countries such as Russia and India, and you can imagine how they might react to the notion. The EU remains the largest economy in the world when you consider the EU as a whole and if you talk about the G2 in economic terms, why not talk about the EU and the US rather than China and the US?

It therefore does not seem to be diplomatically very sensible to talk about the G2 in China, especially in official terms.

Thirdly, China does not want to generate more alarmist comments from the world media or become another Soviet Union, competing against the United States in a bipolar world. China also does not want to take the responsibilities that are imposed on it if you talk about China as another superpower because, as I said earlier, China is still poor and underdeveloped.

Having said that, that is basically my personal interpretation of the official perceptions of G2. However, I do not deny that in the mindset of intellectuals and many other people, China is already the number two in the world. Therefore, with the number one and the number two, the number two wants to become the number one and the number one wants to remain the number one, so what will happen?

Many of my friends are economists and they are very sanguine about China's economy, saying that China will catch up with the United States in terms of gross domestic product (GDP) in eight years or even six years, but they are worried about whether the United States will allow China to do so and they have their own suspicions in economic terms. Some strategic thinkers say that the United States is much stronger than China because it has strategic allies in Asia and other parts of the world. Why does China not try to have its own strategic allies? You can imagine who China's potential allies could be – and I would not like to mention those countries. We therefore have a hard time readjusting to



the new status. What is China's international identity? That is subject to debate and there are a lot of uncertainties ahead.

The second point that I want to make is that there are more signs of strategic suspicions and distrust of the United States in China because of the number one/number two competition and the traditional Chinese suspicions of US intentions. The United States is seen more as a problem than a solution to all the problems that we face in the world, especially in China's overall strategic environment. I could give you endless examples of why the Chinese are more suspicious of the United States' intentions. My friend Bob Blackwill briefly mentioned US arm sales to Taiwan and many people in China say that China's territorial disputes with Japan and Southeast Asian countries are in fact generated by the United States or they have a conspiracy theory that the United States is propping up the disputes. The US continues to denounce China's human rights situation and supports the Dalai Lama and so on and promotes the idea of trans-Pacific partnerships that are partly aimed at China, and US military forces are stepping up their surveillance activities directed at China and so on. I could give you a long list of why China is more suspicious of the United States. The sentiment in China is that the United States must be very apprehensive of the rise of China and therefore the stronger China becomes the more pressure the United States is going to exert on China.

The third point is that despite all those strategic suspicions, the general direction of China's foreign policy towards the United States and other parts of the world will remain pragmatic and modest. However, there will be some kind of readjustment.

The first reason why China will remain pragmatic is because we are faced with a lot of domestic priorities that we need to deal with - and I need not give you the long list of these. China therefore wants to secure a peaceful environment. China is also promoting more trade and investment with the United States, which is important to China, and it is a fact that China's trade and investment relations with the United States are growing faster than relations with other parts of the world, especially Europe.

In terms of the adjustment perspective, China's official statements might be more assertive, to put it bluntly, and China will be somewhat more principled in its own wording towards America on security issues, such as the Diaoyu Island issue with Japan and the South China Sea issue with Southeast Asian countries.

There is one part of the discussion where I have a slight difference with Bob Blackwill, which is my notion of Asia. We are an Asian power but whether China wants to become dominant in Asia is open to discussion. However, my idea is that China may become more of a global partner or global power than an Asian hegemon. There will be a lot of common ground if we look beyond Asia and China's immediate neighbouring countries, and more opportunities for cooperation. While it is true that the United States and China have a lot of differences over Africa and the Middle East, there would certainly be no war or armed conflict with the United States in those regions. We should therefore avoid confrontation in East Asia and promote more cooperation in other parts of the world.