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**C.V. Starr Lecture
China Then and Now
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Featuring:

Ambassador Nicholas Platt, former President of the Asia Society and Author, "China Boys: How U.S. Relations with the PRC Began and Grew. A Personal Memoir"

MS. JEANETTE WAGNER: Good evening, everyone. It is such a gorgeous day outside. We are delighted to see you all inside as well. It is a very special evening. Our thanks to Credit Suisse for this wonderful venue and for hosting everyone. My name is Jeanette Wagner [phonetic] and I am a member of the board of the Foreign Policy Association, and it is a great honor for me to introduce Ambassador Platt this evening.

It gives me great pleasure, because Ambassador Platt is one of America's seasoned diplomats. He has spent most of his career on relations between the U.S. and Asia, 34 years in the foreign service, as U.S. ambassador to Zambia from 1982 to '84, the Philippines from 1987 to 1991, and Pakistan from 1991 to 1992, followed by 12 years as President of the Asia Society beginning in 1992, where I certainly had the pleasure of being very actively involved while he was there, and he was terrific. He became President Emeritus following his retirement in 2004.

Clearly a man with vision, Ambassador Platt's involvement with Asia began as a student of the Chinese language in Taiwan in the early 60s, and continued with foreign service assignments in Hong Kong, from 1964 to '68, Beijing, from 1973 to '74, Tokyo, from '74 to '77. In 1972 he accompanied President Nixon on the historic trip to Beijing that signaled the resumption of relations between the United States and China. I can not believe it was that long ago, my goodness, 1972.

He was one of the first members of the U.S. Liaison Office in Beijing, when the

United States established a mission there in 1973. In the course of his government service Ambassador Platt served in several capacities in Washington, including China Analyst, Director of Japanese Affairs, National Security staff member for Asian Affairs, Deputy Assistant Secretary of Defense responsible for political and military relations with Japan, Korea, China, and Southeast Asia, acting Assistant Secretary of State for U.N. Affairs, from 1981 to '82, Executive Secretary of the Department of State, from '85 to '87.

Ambassador Platt graduated from Harvard College in 1957, earned an M.A. from Johns Hopkins University School of Advanced International Studies in '59. He is a board member of Scenic Hudson and of the Friends of China Heritage Fund, Limited, as well as chair of the U.S.-China Education Trust Advisory Board. Ambassador Platt and his charming wife, who is very smart also, Sheila, they are in the front row, have three sons, Adam, a writer, Oliver, an actor, and Nicholas Jr., a financial publishing executive, and eight grandchildren. His memoir, "China Boys," was published last year. I am very pleased to turn this microphone over to him. Ambassador Platt.

AMBASSADOR NICHOLAS PLATT: Thank you so much, Jeanette, and thank all of you for coming. This is the first time I have ever had two screens, and I am so excited I can barely contain myself. The way this evening is going to develop, I am going to show a movie that I made, a worms-eye movie of the Nixon trip, the life in Beijing in 1973 when we opened our liaison office, and then I am going to—that takes about 28 minutes, then I am going to give a little introduction to the book and tell you what it is about. My security fell off so I may not be able to leave. And then I am going to open it to questions. And I hope that we will all be finished by 7:00, but if we are not and everybody wants a drink, they can go and have one and we can continue the Q&A after that if you wish. It can be flexible in any case.

Those of you who attended Nixon in China, for those this is a familiar scene, and you will be seeing and you are seeing the airport in Beijing on the day and the moment that Richard Nixon arrived. My vantage point was—and my position was very lonely—so I took the initial pictures from behind the engines as you can see. There is Zhou Enlai waiting for President Nixon, and everybody is wondering if Nixon and he are going to shake hands, because John Foster Dulles had refused to do so several years before in Geneva and the Chinese had never forgotten. But he certainly did, and he was very emphatic about it. That is a picture that just shows I was there.

We then went to the Great Wall. These are some scenes from the visit, and of course the Great Wall was manned by reporters, Bernie Kalb there. On a beautiful, frozen day with the ice frozen in the trees Nixon came, and the important thing about that was not only that he came, but that the whole scene was connected to the rest of the world by live TV. And that was really the most important thing about this trip, was the connection of China with the rest of the world.

We went to the Ming tombs. Here is Pat in her red coat, which was an iconic garment. And we did these things very quickly. The children were well-trained,

and they did their thing. We went into the Ming tomb and then we came right out again. But it was an important site. We then went to the Forbidden City on a snowy day, rather rare to have snow at that time. It was a dark day, but it gave the place a sort of a solemn grandeur. People did not use shovels; they used brooms to keep the snow away. And you can see on this gray, lowering day the President arrives with his wife and is taken around to see what is happening and to see the Forbidden City. Nowadays, of course, the scene has changed a lot. And a lot of interest, a lot of people following us, keeping track, but in general the place was empty.

And if you take a look here you get some idea of the size of the motorcade that went with Nixon everywhere he went. We were sort of in a bubble, in a cocoon. We were—the Chinese were very interested, but they did not get—we did not get much contact with them. Here is Zhou Enlai and Nixon feeding the fish in Hangzhou, and Henry Kissinger is also there. The people who made all of this extraordinary opening happen. We get home; Nixon realizes he has really made an impact and had a great success when there is a gigantic crowd waiting for him at Andrews Air Force Base. He had not really expected it. He took a lot of risks going to China, and a lot of things had not been fixed in advance.

There is Sheila with her “Where the hell have you been?” look. And when I tell her, she—and give her a little present from China—she warms up. 14 months later we are crossing the bridge at Luguo to go to Beijing and set up the liaison office, the first resident office in two decades in China, diplomatic office. These are the lowly delegation, me and my secretary and some security guards. There is the Beijing hotel where our first offices were. A lot of you have been there many times since. It has changed a lot.

We were looking at the roofs of the Forbidden City from our office windows in the Russian wing, and we had below us a courtyard into which we could peer and see what Chinese life was really like. This place has been filled in with a new hotel, but this was purely magic for us, because we had no idea what Chinese did all day long. And here is a lady doing the laundry and a man going off to work and a lady brushing her teeth. All of this was a matter of total fascination for us.

I am sure they would not be too happy to know we were taking pictures of all this, but for us it was the dark side of the moon. And here is a man doing his exercises. The kids are going off to school. Here is a little kid who is taking a—relieving himself on the pavement through his split pants and his grandmother has bound feet, and you do not see that anymore I will tell you. The Cultural Revolution is still on, and there is a poster, a world poster. It is not the violent part of the Cultural Revolution, in fact things are kind of calm for the ordinary person, but not for the leadership.

This is the liaison office being built, actually being built. Those of you who have been in China recently know that this was the residence of Ambassador Jon Huntsman, and all of the previous ambassadors and liaison office chiefs before them. My office is in a state of new construction. The People’s Liberation Army

are guarding us alertly outside, and you can see the whole area where we lived and worked. This is the diplomatic compound, Jianguomenwai. It is a gated community. The Chinese can not get in. We can get out, but we feel somewhat like inmates, and here are the inmates playing some volleyball. John Holdridge in the white here on the right is one of the great pioneers of the relationship.

And if you think pollution is a new thing in China, this is a view from our kitchen window in 1973. We could count more than 100 chimneys from factories there. There were not any cars to pollute the place. Now of course they have taken over and the chimneys are gone. But this was a clear October day and that is what it looked like. Now not everybody lived in these newfangled diplomatic compounds. The Swiss had an old courtyard house. And I went to call—that is me—I went to call on my opposite number, and just to see what the old compounds looked like, this was down in the Legation Quarter. Now these are all government offices.

We had our trips to the Great Wall. We went to different places than Richard Nixon went. But it was fun all the same, because nowadays the Wall is just teeming with people. We had always been taught that you could ride horses along the Wall and patrol from horseback, but I kind of doubted that after watching Sheila negotiate these stairs. It would have been hard on a horse. Anyway, we did what everybody else used to do and still does; we went to the Ming tombs. Our children were there. They were known as “big tiger”, “tiger number two”, and “tiger number three,” Da Hu, Er Hu, and San Hu. And Sheila and they took to China, found it an extraordinary place, got sort of used to it. There is San Hu losing his shoe, and Da Hu taking his picture, and Sheila reading Nagel’s Guide, which was the only guide to China that you could get in English.

We used to go to the Ming tombs ourselves, but we went to the Ming tombs that had not been excavated, and there were 11 of them, and they were in charming states of decay. The Chinese did not have any intention of digging them out. They knew exactly what was in there, and they were digging up more interesting things every day from dynasties that dated way before the Ming. Anyway, we would take picnics. This is the time of the persimmon harvest, in the fall in ’73, and there is the transport, which is mostly horse-drawn, to get the fruit off to market. We would have friends come through. We would take them on picnics. We had this idea that Bloody Marys were somehow revolutionary, and so we used to drink those and toast each other.

We would go to the Forbidden City as well, and it was open to the public, but only sort of. As you can see here, we are watching—we are going in with a family, an old lady who is sort of guiding us around. The place is empty. The buildings look sort of beat up, although I thought they were magnificent. And we enjoyed that place hugely. Nowadays it is teeming with thousands of people every day, and everything is spic and span.

We spent a lot of time on bicycles in Beijing in those days, because bicycles were a good way to get around. Not only that, but they were also the only place where the Chinese felt comfortable talking to us. They could not have conversations in

the street; they would be reported by their Revolutionary Committee members. Obviously, it is hard to shout anything out of a passing car, but in a bike in the great stream of bicycles, which was the order of the day, you could—people would come up and they would strike up a conversation. “Are you an Albanian? What are you doing here?” And then we would go back and say, “Well, we’ve just arrived and we’re finding Beijing very interesting, and how much did those cabbages on the back of your bike cost?” and so on and so forth.

Anyway, for us it was a chance to get out of the bubble and out of the cocoon that the Chinese wanted us to stay in. This is a lane called Liulichang where all of the art was sold, and it is still there. It has been vastly fixed. This is a stunning action shot with me—you see my head down below—peddling and steering with one hand and taking movies with other, very dangerous, but we wanted to give people a sense of what life was like bicycling in the hutongs, in the lanes of Beijing in 1973.

We also took picnics to the Western Hills, and the Western Hills were quite far away from Beijing in those days. That is no longer true. All of the space here that you see, empty space relatively, has been filled in with ring roads and buildings and scientific institutes and all of the things that go to make up modern-day Beijing. There is a bird; there were not too many birds in China in those days, and it was a kind of a bucolic, nice place to go.

We also would visit places like the Temple of Heaven, and here you see the three tigers and their mother enjoying this scene. I had never realized that the Temple of Heaven was held up by American redwoods, and this is not something that the Chinese talk about very much, but in fact when the building was rebuilt cedars from—redwoods in California were provided.

What we are looking at here is October 1st celebrations in 1973, and they have a kind of a nice amateurish quality and a sort of populist quality, which is no longer true. Nowadays there is a big parade and it has got to be perfect and it is rehearsed and nobody can see it except on television. But all of the parks were filled with people. There is little shooting galleries, people doing skits, obviously the security men are there keeping track of everyone, and here is another making sure we are all safe. And here are people still wearing their Red Guard armbands.

This is a big park in the middle of Beijing and here is a PLA troop, you see the throng of people there. These people are explaining the efficacy of Chairman Mao’s thought, and they are having difficulty doing things. This young lady of course was having difficulty playing her instrument, because she was so interested in what was going on, but he is having a hard time lifting this barbell. And now he arms himself with Chairman Mao’s thought, and there it goes. So that was the kind of tenor of the time, and it was all in those years more playful. In the preceding years it had turned absolutely deadly, as you know.

Accompanying visiting delegations was something that members of the liaison office did, and I was in charge of sports and culture, which was very much a part of politics in China. And I was the political counselor, in effect. And here we are in

Guangzhou, in Canton City, on a hot June day with the rain pouring down, and the American swim team just about to arrive. And here come the teams, and they are exhibiting the styles for which they are nationally famous. The Chinese are in serried ranks and beautiful uniforms, and we come shambling in under plastic raincoats. Oh well, that is us. And the fact of the matter is that the Chinese and the Americans have together fashioned an extremely productive relationship, whatever their differences, and there is something I think very compatible about them.

In the water, of course, we had a lot to say and a lot to teach the Chinese, although they learned it very well over the years, and are now extremely good at all of this competition. But we were able to learn a lot about China. This was our first look at other parts of China, going around with these people. This is the Pearl River in Canton, in Guangzhou, in flood, and a big raft coming down. And people of course sailed their junks in those days, and they lived in sampans. And these are pictures that draw gasps from young Chinese audiences in the universities where I have shown this movie before, because they have never really realized how poor China was.

Here are the kiddies in a commune outside of Canton, and here are people going to work. That is Micki King, who was the great diver of her generation. And these are just scenes from ordinary life. Actually these are sort of approved scenes, and so there was a lot tougher things, a lot tougher standards of living in other parts of the country. This is Chairman Mao's house. It is his father's house actually, and anyone who thinks that Chairman Mao came from poor peasant stock had better look at his father's house, because it is a very generous, big place. He was a landed peasant who was what the Revolution was all about and against.

Here are some ships coming down the Xiang River, near Changsha, being navigated the way they have been for thousands of years. This school, this is the first normal school in Changsha, was where Mao taught. It has now been created and turned into a shrine. It is well preserved. It is actually a nice piece of architecture, western and eastern mixed. Everything is well preserved, the well where Mao washed, the spittoons, everything is carefully preserved.

This is Shanghai in 1973, at the confluence of the Suzhou Creek and the Huangpu River. And you can see the black Suzhou Creek from inside the country emptying into the gray Huangpu River. That is Pudong across the way. That is Pudong. And those of you who have seen the great skyscrapers of Pudong know now what it looked like before they even began.

This is commune life in the Shanghai area, very common. 80% of the Chinese people lived on the land in those days. They are trying to get it to 40% now, and it is causing a tremendous amount of growth and also a lot of angst as well. These are just shots of family life in a prosperous commune in the area of Shanghai. Here are some young Red Guards who had been sent down to the countryside, now coming in for lunch with their elders all coming in in long disciplined lines from the fields.

Now we had other extraordinary visitors. This is Eugene Ormandy, and we had an extraordinary time organizing his trip, bringing in the Philadelphia Orchestra to Beijing and Shanghai, getting into arguments with Madame Mao's forces, flying Frisbees. Madame Mao wanted Ormandy to play Beethoven's Sixth and Ormandy did not want to play it. My job was to talk him into playing it. And I will explain how I did that later on. A lot of it was made up, but it worked. Anyway, he did play it, and she loved it. And the visit went off very well. But he was a marvelous conductor, and I really had a first-hand experience. He and his Chinese counterpart led the same orchestra in the same piece of music, back to back, and the difference was just extraordinary. The Philadelphia Orchestra has just declared bankruptcy, but it is very anxious to continue its work in China and is determined to do so. And I am spending some time trying to help them do that.

Here we are going up the Huangpu River on a boat with a lot of Chinese virtuosi on traditional instruments. This is the one place where I really wish we had a soundtrack, because these people could play marvelously well and they were deeply admired by everybody in the Philadelphia Orchestra, very spirited. This man would make Jean Pierre Rampal envious.

Now when there were not delegations visiting, we turned into one ourselves. Here is the Platt family, the three tigers and Sheila, on their way to Wuhan in July. People said we were crazy to go to Wuhan, the hottest city in China, in the hottest month of the year, and perhaps we were. But we were so curious about what the rest of the place looked like, that we would take anything that came along, and they said, "Well, you can go to Wuhan." And we said, "Fine, we'll go." The Chinese did not have a clue what to do with children who were traveling, and we said, "Don't worry about that. We'll just be a delegation. You know how to deal with delegations. This is a delegation. This is the Platt family delegation. We have a young member. We have another elder member who will ask questions about labor practices and so on and so forth. And we'll see anything you want us to see, because this is what we are here for."

This is how people got goods back and forth across the Yangtze in those days, across the great bridge. It is all done by hand. There is a man and a donkey in harness together. Actually the donkey was not doing very much. The man was doing everything. But schlepping things up and then roaring down the other side of the bridge, that was the way things got done. This bridge of course was a great feat and the Chinese were very proud of it.

Here is our family delegation growing a crowd. All that had to happen was that the people moving on the street, any block, would stop, and you would have about 3,000 people. And there is Oliver, who has since made about 60 movies, with one of his first crowds. Well they said, "We'd like you to go to the number two Wuhan iron and steel works, the second largest steel works in the country." And we said, "Fine." Going to a steel mill and a blast furnace in the hottest city in China in the hottest month of they year did not strike us as being to onerous, and in fact it was not. It definitely hot though, I will have to say that, but the delegation performed

very well, and went to see all the sights, molten metal being poured almost white-hot, Sheila leading the delegation, members scampering up and down, wiping themselves with towels.

The next place we went to visit was the teaching hospital in Wuhan, and they wanted to show us the efficacy of acupuncture as an anesthetic. Now this is viewer discretion is advised here. But this lady was awake, her head behind a screen, and they were taking a great big goiter out of her neck. And in her body at various places were a bunch of different needles, all attached to electrical devices, impulses that were going through her body, and she was being tended by people who were saying comforting, good things. And there is the goiter, and there is the girl. And she looks quite relaxed, she is relieved of course. She leaves waving and saying nice things about Chairman Mao.

There are some and were some real tourist spots in China. This is West Lake in Hangzhou, which was where the famous poets for thousands of years all got drunk and wrote poems and storks flew across the moon and other things. And here is everybody else going behind a red flag on a picnic. It seemed to be the way one did things in those days, everything behind a red flag. This is the oldest bridge that people know about, manmade bridge. It is called the Precious Belt Bridge. It dates from about 900 A.D.

So this is the confluence of the Grand Canal and the Suzhou Creek, the other end of which you saw in Shanghai, and again another look at the way things were transferred to and fro, by sail, by oar, and so forth. Here are some pretty hanks of wool being made into rugs. Maybe our favorite thing as young diplomats in China recreation was going skating. Here is a diplomat taking his first very cautious diplomatic steps. And our children loved to pretend they were playing hockey, and they loved to fall down, and the Chinese thought this was the funniest thing they had ever seen. And I think it is not unusual, I mean most slapstick humor involves people falling down, and we satisfied that requirement. We gathered a crowd of Chinese all interested in this.

And here is Oliver and Adam doing an act of their own. They made this up on the spot, because they wanted to appeal to the crowd. And this is all a fake, but they had a lot of fun with it. The Chinese thought it was hilarious. And young children would come along on their ice carts, and their ice carts are just little platforms on skates, and they would do graceful banks propelled by their little ice picks. And this child is now banking into the sunset, where all good movies end, as the sun sets. So can we have the lights up please?

Well this book, "China Boys," is really the transition between then and now. And this talk is really about China then and now. And so I want to explain a little bit about it. It is a personal memoir, but it involves a lot of descriptions of real policy and real decisions and from the point of view of a staff officer who is just trying to get a long and make things and so forth. I wanted to read you a little bit from it, which explains what it was like to be close to Richard Nixon in those days. This book covers my decision to go into diplomacy, learn Chinese, Sheila's decision to

go with me, also learn Chinese, what we were as China analysts, how the trip went, what the politics were of music and sports, and a whole range of other things.

But it starts with the only time that I ever got close to Richard Nixon. I spoke with him for the first and last time on February 28th, 1972, the day that the Shanghai communiqué was issued.

“I arrived early for a meeting at the official guesthouse. The President was sitting in a flowered silk dressing gown over an open collar shirt and trousers, a long, fat cigar in one hand and a tall scotch and soda in the other. He looked drained, but satisfied with he had accomplished. What an extraordinary-looking man he was up close, huge head, small body, duck feet, puffy cheeks, about three walnuts apiece my notes indicate, and pendant jowls hanging down; the entire combination exuding authority. Secretary of State William P. Rogers, my boss, came in. H.R. Haldeman was already there, hair close cropped, yellow legal pad and sharp pencils close to hand. Henry Kissinger was nowhere to be seen. Assistant Secretary Marshall Green and John Holdridge from Kissinger’s staff arrived a bit later, and the discussion began.

These men, the leading Asia experts in the U.S. government, were leaving on a tour of Asian capitals the next day, to explain what Nixon had accomplished in China during the past week. Nixon did virtually all the talking. He shaped the individual approach our experts would take with each leader at every stop, based on his own knowledge of the issues and personal relationship with that leader. ‘Tell Marcos I said,’ this, ‘Make sure Korean President Park understand,’ the following, ‘Japanese Prime Minister Sato must bear in mind that,’ et cetera. He had a personal message for each and he predicted a generally favorable reaction from Asia’s leaders. Only Taiwan had reason for disappointment, he said. However, Chiang Kai-shek could be confident that we would maintain our security commitment.

Anyway, he concluded, where else could he turn? The President implied from his remarks that he was well aware of the difficulties his China visit would cause the Soviets. Well, Nixon’s performance was a tour de force. It was close up confirmation of his repute as the great foreign policy president of his time. The experts were not advising him what they should say, he was telling them. And as the meeting came to an end, he made a point of thanking each of us for our work. Secretary Rogers introduced me to him as one of the new China specialists at the State Department. And I told Nixon that I’d spent ten years preparing for this trip, and was grateful to him for making it happen. He accompanied me to the door of his suite, placing an avuncular, flowered arm on my shoulder as he went. ‘Well,’ he said as we reached the door, ‘You China boys are going to have a lot more to do from now on,’ hence the name of the book.”

I could go into a lot more detailed readings and so forth, but I think time is a-wasting. So I will say this, I gave a copy to Dr. Kissinger, who told me several months ago that he could not finish his book unless he had read mine, that is what he said. Oh, I was flattered with that. But I said, “I happen to have a copy here, Henry, and let me just give it to you.” And he asked me what the thesis of the book

was, and I said, “Well, the thesis of the book is that the nuts and bolts of the relationship, trade, travel, investment, culture, sports, legal issues, and so forth, the nuts and bolts to which the State Department was supposedly relegated,” we were all quite happy to be relegated to it, myself, “became the relationship ultimately.”

The international balancing act between the Russians and the Chinese and the United States, which had been the strategic imperative which had begun this relationship, was over in a relatively short period. But the kinds of relationships that you saw just being formed in that film, between swimmers and orchestras and traders and CEOs and other visitors, grew over time into an enormous structure. An enormous structure of people-to-people links, which were strong enough to hold the relationship up when it was severely threatened, one by the collapse of the Soviet Union, which removed the strategic imperative, and two, by the tragedy at Tiananmen, which put our relationship into a slide for some time.

But the people-to-people daily things that we do together, the slouching Americans and the rigorously disciplined Chinese, have formed one of the biggest economic relationships the world has ever seen, and has helped to create one of the biggest economies that the world has ever seen. So now not a day goes by when there are not 5,000 people in the air going back and forth between China and the United States, taking care of daily business. They are not all going on government missions or whatever, they are buying things, they are selling things, they are making things, and so on and so forth.

So Henry Kissinger said, “Hmm, that’s good. I think I’ll steal it.” And I wonder, I read the review of the book that came out today in the Times, and it did not really say anything like that. But we will see. I will give it a careful read. So I think I will stop right there for the moment. We have a few minutes for China now, and I would be delighted to take your questions, and to have you structure the discussion on current issues. So I have already a hand in the very back. Please, whatever the rules are here, state your name.

MR. TIM SPEISS: Good evening, and thank you for being here. My name is Tim Speiss, and I am a partner with EisnerAmper LLP here in the city. What is your sense of the current views of the economics between China and the United States, piracy, intellectual property, alleged theft, non-allowance of like-minded either technology or production in China by non-Chinese or other countries? Is it overblown or do you think it is somewhat accurate?

AMBASSADOR PLATT: All those issues are there, and the closer you get the more you rub. The relationship developed in an unbalanced way, with much more trade coming in this direction than going in theirs. And the result was that they developed a lot of reserves and they are accused of having kept their currency artificially low so that they could maintain jobs and earn more money and so forth. And this has become a major issue between us. And there is no question but that the economic relationship is unbalanced between the two countries and has to be rebalanced. And I think that we will be able to do it. It is going to take quite a long time.

But in the meantime it is a huge relationship that works, that goes on every day, and we complain about each other all the time. There have been times when it has been relatively smoother than others. The Hu Jin Tao visit, this most recent one, kind of reset the relationship and it is on more of an even keel with both sides being extremely candid with each other about what is upsetting them about each other. But it is alive and it has created a situation which we all have to be aware of, which is that for good or ill, China and the United States are stuck with each other. I mean if you want to have China as an enemy that can be arranged, but there is really no point.

People say, "Are they going to sell all their bonds?" They have got a trillion and a half dollars worth of U.S. Treasuries. Well why would they do that if that simply just drove down the value of their holdings? We are intertwined now, we are intertwined, and it is not a bad place to be. As Alexander Haig said when we were talking about the difference between confrontation and cooperation, "Well," he said, "The safest place in the ring is in a clinch," and I guess that is where we are. Yes?

MS. ELLEN EASTON: Ellen Easton, Red Wagon Press, off the record. With the tenuous relationships that we now have in the Mideast—with the U.S. relationships to the Mideast being somewhat fragile and the Chinese population embracing the consumership of cars, how do you see our relationship with the oil for America versus oil for China?

AMBASSADOR PLATT: Well, there has been a lot of competition for natural resources as the Chinese economy has grown over time. And it has driven the price of commodities, raw materials, and fuels, and oil, and so forth up and up as it has gone along. The Chinese have to pay the same price as everybody else, but we all have to pay more as a result of the demand going up. Just in the last week you see commodity prices beginning to come down as the Chinese are trying to slow their economy, because they are worried about inflation, and so the demand for copper and the demand for iron ore and things like that has gone down.

And the world economy is very intertwined, and the Chinese have now grown to such a size so that when they stop consuming something as much as they had in the month before, the people who supply it feel that. And likewise people who buy their things also feel that. So it is real, and I think everybody is trying to figure out ways of not using oil so much. The only real alternative to oil though, if you are looking at density and the size of the problem, is nuclear power, and that has been set back by what has happened in Japan in the last couple of months. Yes, sir?

MR. LARRY BRIDWELL: I notice in your biography—my name is Larry Bridwell, and I teach at Pace University in the MBA program—I notice in your biography you spent some time in Pakistan, and I would be interested in your forecast of Pakistan five, ten years from now, and the relationship between the United States and Pakistan.

AMBASSADOR PLATT: Pakistan is more stable than it looks. It has been going over the abyss and going over the falls and so forth ever since I can remember, but it has

never actually gone over. So I have spend a lot time trying to figure out why Pakistan holds together and why it is relatively—what are the elements of stability.

And if you have had some experience in South Asia, you have seen these pictures, traditional rafts coming down the Indus River, that are essentially a collection of blown-up cow skins, stitched together, held together by a framework of sticks tied with string. It holds a lot. It holds a lot. And each of these cow skins represents a different area of Pakistan, Punjab, Sindh, Karachi, Northwest Frontier, Balujistan, and so forth. The Northwest Frontier part is leaking badly, but the others work fine, and they are not going to take orders from any Pashtuns, any of these mountain men. That is just not in the societal and cultural mix.

So the raft is held together by the sticks, which are the army, is not going to sink. And it is going to bump along and people are going to worry about it. Ten years from now it still will not have sunk. And our relationship with Pakistan is probably, if we are smart and patient, going to better than it is now. It behooves us to have a relationship with each other. Our interests are very tightly linked, and despite all of the discomfort that goes with the current developments, we are going to get through this. The Pakistanis are expecting us to go away. We have gone away three times, and I think it behooves us not to go away this time and to hang in there. Yes, sir?

MALE VOICE: Yes, we noticed today that there are stories in the paper about China cracking on dissident writers, not allowing them out of the country. What do you think the prospects are for China evolving to a position of greater freedom and democracy, both for artists and so forth and politically?

AMBASSADOR PLATT: I think the prospects for China becoming a freer and more open place with a government that is more responsive to what the people want are quite good over the long run. Right now the Chinese government is running scared. They are worried that somehow the Jasmine Revolution that is sweeping through the Mideast is contagious, and that their own people are going to get this kind of disease. The fact of the matter is that the Chinese people have been expressing a desire for more rule of law, for a more responsive government, for better solutions to a lot of the problems that have emerged as a result of the stresses of modernization and urbanization, for a long time. And they have good ways of expressing this.

And while the internet is itself controlled, it is not, in the final analysis, controllable. But the Chinese government learns as much about what the Chinese people are thinking through the internet as the Chinese people express to the outside world. If you look at the history of the Communist Party's rule, you will see that at key junctures, as they emerged and developed and the economy developed and so forth, they made significant concessions to popular demand in order to keep the economy going and keep things moving.

And I think the chances are pretty good that they're going to have to do that again. Most of the cognoscenti in the China-watching world says the Communist Party can

not survive a year of negative growth, and that may well be true, but they have been having a lot of growth lately and it is causing a lot of problems and stress and so forth, and so they have to somehow thread the needle between the desires of the people, which are also to get rich, and to be stable like the government wants.

I think that there will be some accommodation, because it is a matter of survival for the Party and Party rule to make those concessions. So I think that things will develop in a way that does not look like democracy as we know it, multiparty and so forth, but could resemble much more rule of law, responsive government over time. It is going to take quite a lot of time, and right now they are in a delicate position. Now, I have not been fair to this side, yes?

MALE VOICE: Ed - -. How dangerous do you think the housing bubble is in China right now? Are they in a similar position to where we were in 2008?

AMBASSADOR PLATT: There is nothing else to invest in in China really, as far as I can see. That is why the prices have gone up and up and up, and a lot of people are being squeezed out and a lot of people are very unhappy about that. Where the weakness is is not so much in the housing market but in the banking system that finances all of this. And while Chinese banks seem to be different from other banks and have been accused of being simply disbursing agents for the government, they do have to balance their books over time, and they do have to manage risk.

And you have a lot of provincial banks and provincial banks that are heavily overexposed. But the stock market is really more like a horse race. People gamble in the stock market, but they make money in real estate, and it is the only tangible thing that they really know. So my guess is that it is going to continue to hold, although there may be some banking crises which shake the economy in the coming years. Yes?

MR. HARRY LANGER: Harry Langer [phonetic]. We are engaged in sort of an economic warfare with China, and not only is she eating our lunch, but she is eating our breakfast and dinner. They are using their, as you pointed out, they are using their tradings and reserves to buy up raw materials and resources all over the world, and, which I consider a great danger, using their sovereign funds to buy into high-tech start-ups and corporations in the United States and elsewhere in the developed nations. They do not want to be a low-tech; they want to be a high-tech country so they can have the—

AMBASSADOR PLATT: Is this a question, or is this one of your tomes?

MR. LANGER: Yeah, I am going to get to it. What is your view on the sovereign fund investments in the high technology area?

AMBASSADOR PLATT: The Chinese have a hard time innovating, and I don't mean bundling innovations together and so forth and creating things out of them, but I am thinking of what I call "eureka" innovation, the next big thing, what someone who works out in his garage that somehow transforms the whole world. It is not happening in China, because the place is so competitive and so crowded that you

do not have the freedom to fail. And in order to have real innovation you have to have the freedom to fail, and you have to have freedom of ideas, free flow of ideas, and neither of them are there.

So the Chinese are trying to overcome these problems by getting other people's innovation and adopting it themselves. And it gives you the impression that they are copying our stuff and eating our lunch and so on and so forth, but there are a lot of people who are in big innovative companies in America quite happy to have the Chinese share in our technology, knowing that we have the ability to innovate and to invent the next big thing.

But the Chinese have coined a lot of phrases that relate to innovation and relate to innovation that is adoptive innovation, in other words taking other people's technology. But they need to move up the food chain in terms of their economy, and they are doing it. And we are actually in many ways benefiting from that, and will continue to do so.

MALE VOICE: Ambassador Platt, thank you for a most illuminating presentation. Maybe we can continue the conversation over drinks. Thank you very much.