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*Managing Director and
Founding Partner*
Redpoint Ventures

ANGELICA O. TANG
Executive Director
Committee of 100

**KEYNOTE
SPEAKERS**

JOSEPH STIGLITZ
*Nobel Laureate in
Economics*

JIANHAI LIN
Secretary
International Monetary
Fund

EXECUTIVE SUMMARY

23rd Annual Conference

San Francisco

April 26, 2014

The Committee of 100's 23rd Annual Common Ground Conference convened government, corporate, and opinion leaders from across the U.S. and China to discuss key issues in the world's most important bilateral relationship and the Asian American community. The conference focused on five central topics: Chinese digital consumers, U.S.-China strategic trust, bilateral trade and investment, economic espionage, and Asian American identity and innovation. The Honorable Edmund G. Brown Jr., Governor of the State of California, and John Chiang, Controller of the State of California, discussed California's role in building U.S.-China trade relations. Joseph Stiglitz, Nobel Laureate in Economics, gave a keynote address on China's evolving economic policies and future challenges. Jianhai Lin, Secretary of the International Monetary Fund, presented keynote remarks on trends in China's domestic reforms, emerging market economies, and the global economy.

KEYNOTE: JOSEPH STIGLITZ, NOBEL LAUREATE IN ECONOMICS; PROFESSOR, COLUMBIA UNIVERSITY



It became increasingly clear that the strategy that had led to China's enormous success over the past 25 years, its policy of export-led growth, would inevitably come to an end as it had saturated markets everywhere, and that China would have to change its growth strategy. One of the resolutions from the November 2013 Third Plenum report was that the market should play a decisive role in resource allocation; this is a continuation of China's move to a market economy with Chinese characteristics. What one has to understand about this phrase is that what they're really focusing on is addressing the problems in state-owned enterprises and moving those activities out from under the state and into the private sector. For many of the major problems facing China's society — urbanization, health, education, the environment, and growing inequality — the market will not provide the answers; they will require an active role from the Chinese government.

KEYNOTE: JIANHAI LIN, SECRETARY, INTERNATIONAL MONETARY FUND



China has written a remarkable economic history over the past thirty years. While China's gross domestic product numbers are still impressive, serious problems remain. The challenge to Chinese leaders is clear: how to make growth more inclusive, friendlier to the environment, and sustainable. I believe there are four elements that might help China meet this challenge: first, unleashing the potential of the service sector; second, building a modern financial sector; third, addressing inequality and safeguarding the environment; and finally, increasing the quality of growth. Success will depend on how China is able to transform and improve its growth by relying more on market forces, transparent and accountable rules and regulations, and better education and innovation.

OPENING REMARKS: JOHN CHIANG, CONTROLLER, STATE OF CALIFORNIA; MEMBER, COMMITTEE OF 100



The Committee of 100 gives you first-mover advantage: it brings you the people who are acting on the ground, in the Ivory Tower, and in the halls of Congress to discuss what's going to transpire in America and China today and tomorrow. We know the U.S.-China relationship will certainly be the most important bilateral relationship for at least the first half of this century, if not the entire century. America and China can choose to act together, or we can choose to act in isolation; we can choose to act for our benefit, or we can choose to act to our detriment.

WELCOME REMARKS: THE HONORABLE EDMUND G. BROWN JR., GOVERNOR, STATE OF CALIFORNIA



California has had the privilege to receive the President of China, Xi Jinping, not once but twice. In my personal meeting with President Xi, we talked about California-China collaboration, and on my last trip to China, we signed a memorandum of understanding with the National Development and Reform Commission of the People's Republic of China — California is the first state to sign a formal agreement with a Chinese national government entity. We are doing this based on tourism, exports, agriculture, and investments in movies, high-tech, bio-com, the internet, renewable energy, and other areas. Long-term, California is the gateway to the Pacific.



SESSION I

JENNY MING

Moderator

President and CEO

Charlotte Russe;

Member

Committee of 100

TOM DOCTOROFF

CEO

JWT Asia Pacific

HARRY HUI

Founding Managing

Partner

ClearVue Partners

SEARCH, SHOP, SPEND: UNLEASHING THE CHINESE DIGITAL CONSUMER

SESSION I examined how U.S. and Chinese companies are capitalizing on e-retailing trends, global branding, and cross-border e-commerce.

TOM DOCTOROFF: There are two fundamentally different impulses that co-exist and affect the digital universe in China. First there is projection of status – Chinese people are meritocratic, they are strivers, they want to climb the hierarchy and project their status. Then there is protection of economical interest – China is a hierarchical society in which the individual does not exist independent of his responsibilities to others, so the way to move forward is to master the hierarchy and become an expert at the rules. Brands and companies that are able to resolve this tension between projection of status and the protection of economic interest and hierarchical standing are the ones that touch the hearts of Chinese people.

HARRY HUI: It's important to think about cohort groups because China is not a homogenous market. There are four generations living under the same roof: the founding generation, the Cultural Revolution generation, the "Open Door" generation, and the segment that we're most excited about: the strivers generation, also known as the post-80's generation. I argue that this is one of the loneliest generations that we've ever witnessed in history, and loneliness is big business. Technology for them is very much comfort food. E-commerce is a way of life for the post-80's generation—e-commerce is not something you do in addition to shopping, it's how you shop. Chinese consumers, particularly the millennials, are enthusiastic but not necessarily informed consumers—they follow many brands and are not very loyal.



SESSION II

Mary Kay Magistad

Moderator

Former China

Correspondent

NPR and PRI's The World

JIA QINGGUO

Dean and Professor

School of International

Studies

Peking University

DAVID M. LAMPTON

George and Sadie

Hyman Professor of

China Studies

Johns Hopkins SAIS

CHENG LI

Director

John L. Thornton

China Center

Brookings Institution;

Member

Committee of 100

Eric X. Li

Founder and Managing

Director

Chengwei Capital

BUILDING U.S.-CHINA STRATEGIC TRUST

SESSION II analyzed China's global economic outreach, U.S. foreign policy toward China, and the impact of China's domestic reforms on U.S.-China relations.

JIA QINGGUO: China and the U.S. interact with each other now more than ever before, however our trust levels have not increased – in fact, they have declined. There are several factors that explain this: China is rising and there is a shifting balance of power which creates uncertainty. China does not have a fixed identity or set of interests; because other countries cannot assess China's interests, they hedge against it, and China then feels it must hedge back against them. There are prejudices in both the U.S. and China towards each other due to political and ideological considerations. Finally, the media in both countries amplifies negative developments in U.S.-China ties, but underplays positive achievements.

DAVID M. LAMPTON: Chinese foreign policy is influenced by several factors: public opinion; bureaucratic politics and a growing military-industrial complex; the perception that the U.S. is trying to contain China; and the mass media and China's propaganda apparatus. In the U.S., gerrymandered Congressional districts lead to a political system that doesn't reflect the rational center. There is widespread misunderstanding of China as Americans tend to underestimate its challenges and overestimate its strengths. The U.S. is reacting to a number of countries that are seeking security under the U.S. umbrella because they are concerned about China's rise. In addition, both countries' political systems—America's through elections and China's through political competition within the elite—reward tough talk about the other country.

CHENG LI: The theme of this panel is trust, but I think it's too much to consider trust – I would rather use the terms "understanding" and "respect." We should respect each other, Chinese should respect the Japanese and Japan, and Chinese should understand that the entire population of Japan doesn't want to engage in remilitarization but only a small handful of politicians; at the same time, the U.S. should understand the challenges that Xi Jinping faces. China provides tremendous economic opportunities – there is a new wave of China's contributions to the global economy – and China could become part of the solution.

Eric X. Li: The fault line between the U.S. and China is that the two countries built and pursue their foreign policies on two fundamentally divergent worldviews. The American worldview is built on a narrative of political, economic, and social convergence – what we know as globalization—that leads to an international system in which everyone plays by the same rules. China has a fundamentally different worldview: China wants to do what's best for the Chinese. China took great advantage of the globalization process and turned itself into a behemoth, but China has no interest in building or participating in such a global system with rules it did not participate in writing.



FOSTERING A NEW MAJOR POWER RELATIONSHIP

SESSION III

DOMINIC NG
Moderator
Chairman

Committee of 100;
Chairman and CEO
East West Bank

DAVID DREIER
Chairman

Annenberg-Dreier
Commission at
Sunnylands; Former
Congressman and
Chairman of House
Committee on Rules

BILL MUNDELL
Producer

Better Angels;
Chairman
International Knowledge
Measurement

SESSION III explored ways to strengthen U.S.-China relations through bilateral trade and investment, cleantech cooperation, and public diplomacy.

DAVID DREIER: In 2000, President Clinton asked me to be the lead Republican to help with China's entry into the World Trade Organization (WTO); through the WTO, we were able to encourage China to live with a rules-based trading system. In addition, the Association of Southeast Asian Nations has brought China into a free trade agreement. These two international fora have welcomed China and driven China in the direction of diminution of tariffs and non-tariff barriers. Recently, I advocated China's entry into the Trans-Pacific Partnership (TPP), but with certain conditions. State-owned enterprises are the greatest barrier to China's entry into the TPP, but I also believe Xi Jinping has the potential to be a transformational leader. I advocate that we leave the TPP open so that as reforms are made to state-owned enterprises and as other issues are addressed, China can eventually become part of the TPP.

BILL MUNDELL: There is a stubborn historical tendency going back to the Peloponnesian War for war to break out whenever an ascendant power like China challenges a ruling power like the U.S. economically, geopolitically, or militarily. Our film, *Better Angels*, is about how you prevent war between China and the U.S. I do not believe it's possible to move the needle on U.S.-China relations without first changing U.S. public perceptions of China. There is a long history of anti-Chinese sentiment in this country going back to before the Chinese Exclusion Act. It's memorialized in our popular culture with caricatures like Fu Manchu and Charlie Chan, but its modern manifestation is related to the loss of middle class jobs, which are blamed mostly on China's rise. How do we turn around U.S. public opinion on China? I think we can all but give up on the political class in America, for the simple reason that China has proven to be an irresistible bogeyman—and whatever wins in politics, rules in politics. Then there's the media, but the media is astonishingly biased and fervently anti-Chinese. That is why one of our inspirations for making this movie was to go over the heads of the media and the political class, and resonate directly with the American people.



TRADE SECRETS AND ECONOMIC ESPIONAGE:

LEGAL RISKS IN ADVANCING TECHNOLOGY BETWEEN THE UNITED STATES AND CHINA

SESSION IV

FRANK WU
Moderator

Chancellor and Dean
UC Hastings
College of the Law;
Member
Committee of 100

BRIAN SUN
Partner

Jones Day;
Member
Committee of 100

SESSION IV highlighted the requirements and risks of U.S. laws on trade secrets, espionage, and export controls and assessed implications for U.S.-China relations and Chinese Americans.

BRIAN SUN: This subject is closely tied to C-100's mission to improve understanding between the U.S. and China and support the assimilation of Chinese into American culture. There is a negative undercurrent that impacts both aspects of C-100's mission: the growing perception that China is trying to steal American technology and use that technology in a way that undermines U.S. security interests. In 1999, Congressman Christopher Cox from California led a select committee to investigate Chinese espionage during the Clinton Administration. This committee's report may be the genesis for the American phobia that Chinese governmental or quasi-governmental interests are stealing or attempting to steal U.S. technology.

Cases like Wen Ho Lee's that began in the late 1990's tended to focus on state secrets and issues of national security; now they have morphed into a more generic espionage – economic espionage – that doesn't necessarily involve national security-related information but involves technology, like medical imaging devices, that affect big businesses. The consequences are clear: companies appear in news headlines, and are unlikely to receive positive coverage; employees face fines, imprisonment, loss of reputation, and even deportation; and irreputable harm is done to the image of Chinese Americans. The more we can do to educate about this subject, the fewer of these tragic cases we will see.

FRANK WU: There are three categories of economic espionage cases: the first are cases in which someone has done something wrong — it may not be as serious as the prosecutors claim it to be, it may be just a proprietary issue between two companies and not a national security issue. Second, there are cases in which people haven't done anything wrong, but they're swept up in the paranoia, fear-mongering, and racial profiling. Third and finally, there are ambiguous cases – cases in which somebody may be innocent of any intent to do wrong, but they run afoul of arcane and technical import export laws. There are criminal prosecutions going on right now in which people, if convicted, will do hard time for what they thought was just good business.



IDEAS, INNOVATION, IDENTITY: ASIAN AMERICANS IN SILICON VALLEY

SESSION V

GEOFF YANG

Moderator

*Managing Director and
Founding Partner
Redpoint Ventures;
Member
Committee of 100*

KEN XIE

*Founder, President, and
CEO
Fortinet, Inc.;
Member
Committee of 100*

GIDEON YU

Co-owner

*San Francisco 49ers;
Former Chief Financial
Officer
Facebook and YouTube*

SESSION V assessed the impact of Asian Americans’ ideas, innovation, and identity on high-tech sectors and identify the challenges they face in achieving leadership positions and leading their companies.

KEN XIE: I was 27 years old when I came to America — relatively late in life — but I had a master’s degree from Tsinghua University, so fortunately I understood technology quite well. My challenge was to understand the other areas of running a business. This was a steep learning curve, and it took me three companies to figure things out. As a first generation immigrant, you need to keep learning because there are many different skills relevant to running a business; at the same time, don’t lose your advantage, which in my case was the technological expertise. Asian Americans also have a huge advantage in today’s globalized world because we understand other cultures and often speak other languages.

GEOFF YANG: I doubted that if I went to big corporate America — where it sometimes is not a true meritocracy and where there are discrimination issues — that I could labor my entire life only to be hit by some kind of ceiling. Part of what attracted me to small companies is that they are closer to being meritocracies; they are places where individual success can be translated into organizational success. Silicon Valley does have allure and magic — it’s not a complete meritocracy, but it’s largely a meritocracy in that there are people who will invest in you, companies that will give you every opportunity and resource to succeed if you’ve got a great idea and the smarts and drive to execute it.

GIDEON YU: For entrepreneurship, cultural upbringing is a gate. For example, I was raised very risk-averse, very traditionally Asian, and that caused me to not have any desire to go into entrepreneurship. The way in which your parents raised you and the way in which values were instilled in you will cause you to go in one direction or another — that doesn’t necessarily mean success though. Once you’ve gotten past that initial gate and you’re going towards entrepreneurship, social/work environment is what makes the biggest difference. As far as management, if all else is roughly equal — education and work effort — what separates the really great managers from the not-so-great ones is great character and integrity.

AUDIENCE POLLING

SESSION II AUDIENCE POLLING

1. Do you think shifts in power between China and the U.S. will, on balance, be a zero-sum game?

23% Yes

77% No

2. Should China, as a rising power, be expected to adhere to international rules it did not help create?

44% Yes — if it wants to change the rules, it should work within the existing framework to do so.

56% No—as China gains power, it should be able to use its power to make changes it finds appropriate or advantageous.

3. To what extent do non-governmental interactions of Americans and Chinese — in tourism, educational exchange, scientific research cooperation — affect levels of US-China strategic trust at the government level?

41% Significantly

37% Peripherally

18% Minimally

4% Not at all

4. Do you think shifts in power between China and the U.S. will, on balance, be a zero-sum game?

21% Yes

79% No

SESSION V AUDIENCE POLLING

1. Which of the following do you think has the biggest impact on an individuals’ capacity for innovation and entrepreneurship?

15% Education

28% Culture upbringing

23% Social / Work Environment

34% Character

2. Ascend recently published a statistic that while Asian Americans comprise 23% of the Bay Area and over 50% of the Silicon Valley — broadly speaking — workforce, they only represent 12% of the executives and 8% of the board members. Do you believe there is a “bamboo ceiling” in Silicon Valley?

38% Definitely

41% Somewhat

9% Not at all

12% Unsure

3. Which would you rather own?

33% SF 49ers

13% Golden State Warriors

7% Sacramento Kings

21% SF Giants

25% Oakland A’s, Oakland Raiders, SJ Sharks



Over 300 representatives from academia, business, government, non-profits, philanthropic and community groups attended C-100’s Annual Conference on April 26.

Polling devices were used to vote on questions during Session II — U.S.-China Strategic Trust — and Session V — Impact of Asian American ideas, innovation, and identity on entrepreneurship and sports.

COMMITTEE OF 100

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