AFTER HAINAN: NEXT STEPS FOR US-CHINA RELATIONS

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BEFORE THE

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AFTER HAINAN: NEXT STEPS FOR US-CHINA RELATIONS

WEDNESDAY, APRIL 25, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EAST ASIA AND THE PACIFIC,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:05 a.m. in Room 2172, Rayburn House Office Building, Hon. James A. Leach, [Chairman of the Subcommittee] presiding.

Mr. LEACH. The Committee will come to order.

First, let me ask unanimous consent to put an opening statement in the record and for all the other Members to put statements in the record, and the full statements of all the panelists will be placed in the record, and they will be allowed to proceed as they see fit.

[The prepared statement of Mr. Leach follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND CHAIRMAN, SUBCOMMITTEE ON EAST ASIA AND THE PACIFIC

On behalf of the Majority, I would like to welcome our distinguished panel of witnesses to the inaugural hearing of the Subcommittee on East Asia and the Pacific. Over the next few weeks we look forward to hearing from our new Assistant Secretary of State on East Asia and the Pacific regarding the Administration's regional strategy. We also intend hearings on the Korean peninsula and the situation in Indonesia, among other issues.

The purpose of today's hearing is to review the broad spectrum of issues current in Sino-American relations, from a diverse range of security issues, to economics and trade, as well as cultural and political dynamics within China that Congress and U.S. policymakers need to take into account.

In the background of heightened Congressional interest in U.S.-China ties is the recent return of our servicemen and women who were so unfortunately used as pawns in a political standoff between China and the United States. In my view, the outcome of the surveillance plane incident vindicates the Bush Administration's preference for low-key, professional diplomacy.

Obviously, Sino-American relations have once again become strained and a thorough review of U.S. policy is likely to occur within the Executive Branch and Congress. My personal preference at this time is to keep trade separated from politics and to maintain an open relationship with China, as long as China opts to open its market to our goods and services under international trading norms.

As far as arms sales to Taiwan are concerned, I am confident Congress will support the Administration's decision yesterday on this subject. Taiwan obviously remains a dangerous flashpoint with important consequences for Sino-American relations and the region. The objective of U.S. policy, consistent with the three communiques and the Taiwan Relations Act, should be to encourage a peaceful resolution of the differences across the Taiwan Strait, in accordance with the wishes of the people on both sides of the dispute, and to prevent the use of force. In this regard, I have long believed that Taiwan is the one place on the planet where there is a distinction between the concept of "independence" and the prospect of "self-deter-

mination." Taiwan is most likely to be able to maintain the capacity to determine "de facto" its own destiny only as long as it does not provoke China with a claim of "de jure" independence. Accordingly, the U.S. should be extremely wary of giving succor to pro-independence sentiment on the island.

Finally, while differences will always surface between China and the United States, I would hope that a consensus could emerge on such subjects as the arts and the Olympics and that cultural ties could be kept out of the realm of government to government argumentation. The Olympics should be above politics and if China is chosen as the site of the 2008 Games, the American people and athletes should welcome the chance to get to know China better. Likewise, this is particularly good time to reemphasize cultural exchange of all kinds between our two countries.

In the years since the tragedy at Tiananmen Square, pundits have declared that US-China relations were "at a crossroads" several times. Each time, the leadership in both countries ultimately chose to exercise restraint and find ways to pragmatically address the issues between them. From a U.S. policy perspective, this suggests that Washington should maintain its focus on the long-term and endeavor to build a cooperative, mutually beneficial framework for Sino-American relations, one that welcomes greater Chinese integration into the rules-based international system, and encourages progress by China toward a more open, accountable, and democratic political system. But it also requires being prepared to check any future actions by China that may threaten the vital national security interests of the United States in Asia and elsewhere around the globe.

In the final measure, the most important bilateral relationship in the 21st century is likely to be that between China and the United States. If the relationship is ill-managed, the likelihood of conflict and economic trauma will be great. But if the relationship is managed well, the benefits in terms of economic prosperity and world peace will be commensurate. The challenges are many, and how the United States, its allies, and the international system can most effectively respond to the complexities of modern China has become one of the central foreign policy issues of our time.

Here to help us grapple with these questions three exceptional witnesses with long expertise in watching and analyzing China: Professor David Shambaugh, Director of the China Policy Program, Elliot School of International Affairs, at The George Washington University; Professor Nicholas R. Lardy, Interim Director and Senior Fellow, Foreign Policy Studies, the Brookings Institution; and Professor Joseph Fewsmith, Department of International Relations, Boston University.

Finally, a procedural note. Several of our witnesses need to depart by noon time today, and it is therefore the Chair's intent to limit opening statements. I would ask unanimous consent that all written statements may be entered into the record as if read.

Mr. LEACH. Let me just welcome the panelists and say that this is our first Committee meeting of the year. Normally Committees like to meet with the Administration leading off as witnesses. We have the awkward circumstance at this time of a great slowness in getting confirmations in place, and we have yet to have both a DoD and at State the assistant secretaries to be confirmed in the Asia arena. And so we have invited three of the extraordinary academics in the country, three very thoughtful experts in the subject of China relations to address us this morning.

Let me just say by way of opening that there are many ways to look at the world. I think there are very few people that do not understand that the linchpin probably to security and maybe economic advances in this coming century may well be the U.S.-Chinese relationship and how it is handled, and whether it is handled in one direction, we could have one kind of world. If it is handled in another, it might be a little different.

We have a lot of challenges in the strategic front and the trade front and the cultural front with the country divided on each of these subjects, and with Members of this Committee divided on each of these subjects. And we will have many different perspectives set forth.

Let me just state very briefly the layout where I am coming from. I am supportive of the Administration on its basic broad outlines of policy. I personally believe that the three communiques and the Taiwan Relations Act are the linchpin, again, of our relations as we have framed it over a number of Administrations, and have to be the basis for the future.

The only philosophical approach that I take that is a little different from some is one that involves some concepts of words such as independence and self-determination, and it is my view that in most parts of the world these words are virtually synonymous, but in Taiwan they are in juxtaposition. Taiwan can have a maximal degree of self-determination as long as it does not declare independence. If it declares independence, it will have no self-determination, and therefore this country has to be very cautious about exercising any kind of approach that seems to be directed toward a movement toward sovereign independence on Taiwan.

On the other hand, we are bound by law, as well as policy, as well as by basic judgment, to do the best that we can to ensure that the status of the economy and the culture of Taiwan is not changed by use of force. And so as a country, we do support modest defensive equipment sales to Taiwan as the times seem fit.

Let me just end with that and ask if anybody else has any opening statements that they wish to make at this time.

Eni?

Mr. FALEOMAVAEGA. Mr. Chairman, thank you for calling this hearing this morning, and I too would like to echo sentiments you expressed earlier in welcoming our distinguished guests the members of the panel, to give us their insight on this very important issue.

I would like to honor another gentleman too, a dear friend who recently passed away, the late Dr. Michel Oksenberg, the former president of the East-West Center, and renowned China expert with the University of Michigan for many years.

Mr. Chairman, I extend my deepest congratulations to you for assuming the chairmanship of the House International Relations Subcommittee on East Asia and the Pacific.

Since 1989, I have had the pleasure of serving with you on this Subcommittee. Over the years you have never failed to impress me and our colleagues with your statesmanship, your keen intellect and sound balanced judgment while formulating foreign policy in our nation's interest. You have always worked in a bipartisan fashion, and it is an hour to continue serving with you on this Subcommittee.

I further commend you for calling this hearing to examine one of the most contentious issues of the day—the status of U.S.-China relations in the aftermath of the Hainan incident.

Mr. Chairman, the Administration and our national media have issued preliminary accounts to the public concerning the incident between the Chinese interceptor and the U.S. EP–3 surveillance aircraft. I am hopeful, however, that our Committee will receive a more comprehensive report of this unfortunate incident since it remains to be investigated and perhaps a neutral third party could be assigned to fully review the matter.

Mr. Chairman, U.S. surveillance flights over international waters off China have been conducted routinely and legally for years, if not decades, without mishap. Our right to fly in international airspace to conduct military surveillance is in our national interest. It contributes to regional stability and we must insist that it not be hampered in any way. China or any other nation may similarly exercise that right in international airspace.

To reduce the likelihood of this incident occurring again, I support Administration efforts to improve the existing military maritime safety agreement with China, to establish ground rules for air-to-air engagements.

With regards to the safe release of the crew of the EP–3, I commend Secretary of State Colin Powell and the State Department, especially our ambassador to China, Joseph Prueher, for their patience and exceptional diplomacy. Securing the release of our air crew while preserving U.S. rights in international airspace, I believe, was an impressive feat of diplomatic maneuvering by the State Department.

While not an apology, the negotiated expression of sorrow and regret by our Nation for the death of the Chinese pilot was timely and proper.

Mr. Chairman, some argue that the Hainan Island incident and the delay of the release of the U.S. crew reflects a struggle in the government bureaucracy of China, where the leadership of the People's Liberation Army is jousting for influence with the civilian leadership. China's president, Jiang Zemin, is engaged in a succession struggle and must be careful not to appear weak before the military and the Chinese public that are still sensitive after the U.S. accidentally bombed the Chinese Embassy in Yugoslavia, and confronted China in the Taiwan Strait in 1996.

Whether we like it or not, the Chinese military leadership has always been an important element in China's growth, economic development and political system. It may be in our interest to promote exchanges, increased dialogue and better understanding with Chinese military leaders to lessen tensions between our two nations.

On this point, Mr. Chairman, I would note Ambassador Prueher was especially effective in negotiating the release of our crew members due to the excellent contacts and relationships that he established with China's military leaders while he was CINCPAC Commander of the Pacific.

Mr. Chairman, I commend the Administration for separating the Hainan incident from the issue of Taiwan's legitimate defense needs. Because Taiwan is vulnerable to Chinese naval blockade and missile strikes, I support the Administration's decision to sell Taiwan anti-submarine and air defense capabilities, such as the P–3 Orion aircraft, the diesel submarines and Kidd class destroyers, which will help to address these weaknesses.

The President's decision to defer the sale of the Aegis radar equipped destroyers, in my humble opinion, Mr. Chairman, was wise as the Taiwanese are not properly trained to operate the system. Additionally, it would take 7 or 8 years before the destroyers could be built.

I also believe that the sale now could unnecessarily provoke China to escalate its missile build-up, placing the entire region at risk for more military conflict and confrontation.

Mr. Chairman, thank you for opportunity to comment. I look forward to the testimony of our witnesses on these matters, as well as their thoughts, including our $120 billion a year trade relationship with China, and $80 billion U.S. deficit, and the problem of China's human right.

I would also, Mr. Chairman, recognize the Democratic Ranking Member of our Committee and express our appreciation for having Mr. Lantos join the Subcommittee this morning.

[The prepared statement of Mr. Faleomavaega follows:]

PREPARED STATEMENT OF THE HONORABLE ENI F.H. FALEOMAVAEGA, A REPRESENTATIVE IN CONGRESS FROM AMERICAN SAMOA

Thank you Mr. Chairman:

I extend my deepest congratulations to you for assuming the chairmanship of the House International Relations Subcommittee on East Asia and the Pacific. Since 1989, I have had the pleasure of serving with you on this subcommittee. Over the years, you have never failed to impress me and our colleagues with your statesmanship, keen intellect and sound, balanced judgment when formulating foreign policy in our Nation's interest. You have always worked in a bi-partisan fashion and it is an honor to continue serving with you on this subcommittee.

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Mr. Chairman, some argue that the Hainan Island incident and the delay in the release of the U.S. air crew reflects a struggle in the government bureaucracy of China, where the leadership of the People's Liberation Army is jousting for influence with the civilian leadership. China's President Jiang Zemin is engaged in a succession struggle and must be careful to not appear weak before the military and the Chinese public that are still sensitive after the U.S. accidentally bombed the Chinese Embassy in Belgrade and confronted them in the Taiwan Strait in 1996.

Whether we like it or not, the Chinese military leadership has always been an important element in China's growth, economic development and political system. It may be in our interest to promote exchanges, increased dialogue and better understanding with Chinese military leaders to lessen tensions between our two countries. On this point, Mr. Chairman, I would note Ambassador Prueher was especially effective in negotiating the release of our crew members due to the excellent contacts and relationships he established with Chinese military leaders when he was CINPAC Commander in the Pacific.

Mr. Chairman, I commend the Administration for separating the Hainan incident from the issue of Taiwan's legitimate defense needs. Because Taiwan is vulnerable

to Chinese naval blockades and missile strikes, I support the Administration's decision to sell Taiwan anti-submarine and air defense capabilities—such as the P–3 Orion aircraft, diesel submarines and Kidd-class destroyers—which will help to address these weaknesses. Additionally, Taiwan should be given the Patriot PAC–3 anti-missile defense system when ready for deployment.

The President's decision to defer the sale of Aegis radar-equipped destroyers was wise—as the Taiwanese are not properly trained to operate the system, it would take 8 years before the vessels could be constructed for use, and a sale now could unnecessarily provoke China to escalate its missile buildup, placing the entire region at risk for more military conflict and confrontation.

Thank you, Mr. Chairman, for the opportunity to comment. I look forward to the testimony of our distinguished witnesses on these security matters, as well as their thoughts on other pressing issues with the PRC, including our $120 billion-a-year trade relationship and $80 billion deficit, and stopping the steadily deteriorating human rights situation in China.

Mr. LEACH. Well, thank you, Eni, and let me say two things very quickly. One, I am honored to work with you, and I treasure your friendship, and I am delighted that Mr. Lantos has also joined us. We are also joined by Mr. Bereuter, who is not on the Committee.

Does anyone else have an opening statement? Let me first turn to this side? Mr. Lantos and then—please, please.

Mr. LANTOS. Thank you very much, Mr. Chairman. Let me first commend you for calling this hearing and let me identify myself with my friend's comments concerning your service to this Committee and to the Congress. There is no Member who approaches issues with a more deliberate, thoughtful, knowledgeable manner than you do, and we are fortunate to have you in this position.

Let me acknowledge my good friend and colleague, Eni Faleomavaega, for his leadership on Asia-related matters, and for allowing me to participate in this hearing.

There are basically two things I would like to say, Mr. Chairman, if I may. Earlier this morning President Bush made a singularly significant statement on ABC's "Good Morning America," and I quote, "Washington," said the President, "will do whatever it takes to defend Taiwan from an attack on the part of the mainland."

I commend the President for this statement, and I fully support his statement. I believe the time has come to go beyond the deliberate and studied ambiguity that had been employed for too long, and I think the President's straightforward, courageous and unambiguous statement will guarantee that hostilities in the Taiwan Straits will not take place. We have now removed any doubt, and I think the President and his Administration deserves bipartisan and strong support.

The second comment I would like to make, Mr. Chairman, relates to recent events, not just events surrounding our reconnaissance aircraft, but the arrest of Chinese-Americans, and the continued suppression of human rights in all its dimensions, most recently through the arrest of a 79-year-old Catholic bishop whose arrest, I think, highlights the mindless irresponsibility of a totalitarian regime. That a 79-year-old Catholic bishop should be arrested by the Chinese authorities boggles the mind.

Nothing would please me more, and I am sure all of my colleagues, than a constructive, peaceful and positive relationship with the People's Republic of China. China is one of the greatest, if not the greatest, civilization on the face of this planet. China will be one of the great powers in all fields of endeavor in the 21st century, and nothing would be more constructive for the peace of the

world than positive relations between the United States and China, which I fervently hope for.

But I think the plane incident taught a whole new generation of Americans the same lesson that other generations have learned earlier. A whole generation has become politically aware and conscious since Tiananmen Square, and for those the episode of the plane was an incredibly useful pedagogic device.

There was no justification for keeping our servicemen and servicewomen for 11 days. There is no justification for the blatant lie that the reconnaissance plane attacked the fighter. And there is no justification for continuing to keep our incapacitated and combed over reconnaissance aircraft in Chinese territory.

We will have a number of issues relating to China and I will just deal with one for a minute or so.

Now Beijing wants to host the 2008 Olympics. Eight years ago I introduced a resolution calling for China not to be the host of the 2000 Olympics and my colleagues overwhelmingly approved that resolution. I am grateful that the International Relations Committee, with a significant majority, approved my recent resolution on this issue which will come before the full House next week where I confidently predict overwhelming passage.

The questions to be asked with respect to China's Olympic bid are complex and numerous. Would the Chinese allow the international press unfettered access, not only to the Olympic events, but to the Beijing community and to China? Will the Chinese allow defections by athletes from politically repressive regimes such as Cuba, Iran or Libya? Would the Chinese grant visas to anybody who wishes to come to Beijing and view the Olympic games, including representatives of non-governmental organizations? Would Beijing guarantee the freedom of all Chinese-American citizens because in recent times several Chinese-American citizens, scholars and others, on false pretences have been imprisoned and the whereabouts of some of them as we meet we do not know?

We know the answers to these questions. China has no intention of allowing press freedom, political defections, unfettered access, and guaranteed freedom for Chinese-American citizens.

For all of these reasons and many others, Mr. Chairman, I believe the International Olympics Committee must not grant China the privilege of hosting the Olympics. This is not a China that merits chivalrous treatment by the international community since chivalry is a two-way street, and this is certainly not a China that deserves the international prestige and honor bestowed upon a host nation for the Olympic games.

Human rights, Mr. Chairman, are central to the Olympic ideal. As the State Department human rights report demonstrates, China's government has shown zero respect for basic human dignity. According to the report, China's poor record on human rights worsened during the last year as the regime continued to commit numerous serious abuses.

Now, there is no doubt in my mind that the Hainan incident contributes significantly to the margin of victory that this resolution will enjoy next week when we meet. I hope it will serve as a warning to the Chinese government that while we are anxious and eager for a complex, productive and positive relationship, we will

not engage in such at the price of compromising our fundamental values.

I thank you, Mr. Chairman.

[The prepared statement of Mr. Lantos follows:]

PREPARED STATEMENT OF THE HONORABLE TOM LANTOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I would first like to commend you for calling today's hearing on U.S-China relations. I would also like to acknowledge my good friend and colleague Eni Faleomavaega for his leadership on Asia-related matters and for making room on his side of the dais for my participation in a subcommittee hearing today.

Let me also acknowledge the fine work of President Bush, Secretary Powell and the national security team in negotiating the release of our service men and women after their emergency landing on Hainan Island. It was not an easy task for the Administration to find a face-saving way for the Chinese government to release our imprisoned crew, but they held to their principles and correctly refused to apologize for this incident.

But now that the detained Americans are home, we should reflect on the lessons to be drawn from it. Perhaps the one benefit of this crisis has been that it has provided Americans with yet another window into the nature of the Chinese regime. It reminds Americans that have forgotten the Tiananmen massacre that China continues to be ruled with an iron fist by a repressive regime that shows no respect for basic human rights.

The incident also demonstrates that you can't count on the Chinese to abide by international norms on any subject matter. The Chinese did not respond to the Mayday calls put out by the U.S. crew, even as they attempted a variety of frequencies while the aircraft struggled to fly until reaching the safety of Hainan Island. The Chinese non-response to an aircraft's distress call is a serious breech of international obligations, but their subsequent criticism that our damaged plane landed without their permission is, truly, at the outmost extremes of irresponsibility.

The fact that it took 11 days to win the return of our crew is also an unbelievable breech of international norms and obligations. The Chinese may have needed some time to gather all the facts and understand exactly what happened—to understand the fluke nature of the mid-air encounter. This process may require hours, maybe even a day. But 11 days? Does it really take 11 days and repeated calls from the highest levels of our government to convince the Chinese that it should allow our service men and women to come home?

China is an important country with a remarkable history and civilization, but it has chosen, unfortunately, to put its worst face forward. This is not a China that can be trusted to respect the most basic norms of international behavior.

Now Beijing wants to host the 2008 Olympics. This is an event which requires the host nation to live up to a whole series of international standards and obligations. Will the Chinese allow international press unfettered access to the Olympic games and the Beijing community in which it will be held? Will the Chinese allow defections by athletes suffering from political repression in such rogue states such as Cuba, Iran and Libya? Will the Chinese grant visas to anyone who wants to come to Beijing to view the Olympic Games, including NGO's? Will Beijing guarantee the freedom of Chinese citizens who have made new lives for themselves in America, such as Gao Zhan, and who wish to return to Beijing to see the Olympic Games?

Unfortunately, we already know the answers to these questions. China has no intention of allowing press freedom, political defections, unfettered visas to the Games, and freedom for Chinese-Americans.

For all these reasons, the International Olympic Committee should not grant China the privilege of hosting the Olympics. This is not a China that merits chivalrous treatment by the international community, for chivalry is a two-way street. And this is certainly not a China that deserves the international prestige and honor bestowed upon a host-nation for the Olympic games.

Human rights are central to the Olympic ideal. As the State Department's annual Human Rights Report clearly demonstrates, China's government has shown zero respect for basic human dignity. According to the report, China's already poor record on human rights "worsened" during the last year as the regime continued to commit "numerous serious abuses."

Mr. Chairman, as we meet today to discuss the agenda for U.S.-China relations after the Hainan incident, it is critical that strong American opposition to Beijing's Olympic bid be a key element of that agenda. I am very pleased that the full International Relations Committee has overwhelmingly approved legislation I introduced

strongly opposing Beijing's Olympic bid unless the government releases all political prisoners and respects internationally-recognized human rights.

As the Congressional leadership puts together its China agenda for the next few months, I am heartened by House Majority Whip Tom DeLay's recent comments that the Beijing Olympics resolution will pass the full House overwhelmingly.

While we're on the subject of irresponsible Chinese behavior, I would like to make one additional comment regarding arms sales to Taiwan. President Bush's decision on Taiwan arms sales represents a significant downpayment on meeting America's obligation to help Taiwan defend itself. This is only a downpayment, however, because Taiwan will face an even greater security threat at this time next year due to Beijing's rapid buildup of offensive military capabilities.

I hope that the Administration will work closely with the Taiwanese government and Congress over the next year, and pave the way for the sale to Taiwan of the Arleigh Burke destroyers with Aegis capabilities.

Even without the sale of the Aegis systems, Beijing has already strongly protested the items on the U.S. bill of sale to Taiwan that President Bush announced this week. These histrionics are standard fare for China's leadership. Beijing should realize that it alone has the power to determine Taiwan's defensive needs by ending its destabilizing arms buildup aimed at Taiwan.

Thank you very much, Mr. Chairman.

Mr. LEACH. Well, thank you, Mr. Lantos. This is not a time to respond to each and every question, but it should be clear that there is not total concurrence with the desire to integrate cultural issues with strategic issues, and that will be reflected on the House floor, I assume, as it has been in the Committee.

Mr. Ackerman, do you wish to speak?

Mr. ACKERMAN. Thank you very much, Mr. Chairman. I too want to congratulate both yourself and the Ranking Member. We could not have two better Members to be at the helm respectively from both sides of this Committee at what appears to be a very difficult and evolving time in U.S. policy.

Mr. Chairman it is very fitting that we meet this morning to discuss our relationship with China as we have seen an eventful few weeks in both our policy toward the mainland and toward Taiwan. With the announcement Monday of an extensive package of defensive arms of Taiwan, the Bush Administration sent a strong signal that the U.S. would continue to uphold our legal responsibility to help Taiwan defend itself.

But this morning, as Congressman Lantos points out, we awoke to a very dramatic shift in U.S. policy. The President actually startled some of us by announcing that the U.S. would stop the annual review of Taiwan's defense needs, and substitute an "as needed basis" for such reviews. Further, the President stated that the U.S. would do "whatever it took to help defend Taiwan itself."

Mr. Chairman, I list myself amongst the strongest advocates for the defense and the support of Taiwan, and I believe that we should provide Taiwan with the weapons that it needs to defend itself. But I fear that in the course of 2 days we have moved from deliberate strategic ambiguity to strategic confusion with regard to U.S. policy.

That being said, do we have a legal process in place still? Do we ignore it? The President's statements raises additional questions. What does "as needed" mean? Who decides how often these "as needed" reviews take place? What is the role of Congress in this process?

Only last year did we win the right to be consulted before a decision was reached on arms sales to Taiwan. The President's new

policy leaves our role ambiguous at best and raises questions about U.S. policy toward Taiwan.

The President's comment on "Good Morning America" with regard to defending Taiwan also raises other serious questions. What does "whatever it takes" mean?

Now that the President has apparently decided to be clear about U.S. defense of Taiwan, he is obligated to articulate how just a policy will work. And did he just singularly revoke existing law, the Taiwan Relations Act? Does this mean a renewed military relationship with Taiwan, closer operational links? Are we, for the first time since the 1950's, talking about joint military exercises? If Taiwan is attacked, are we at war?

Strategic ambiguity had served us well for the past 20 years, not knowing the precise nature of a U.S. response to conflict in the Taiwan Strait pressed both sides to pursue a peaceful resolution. The President's attempt to be clear about Taiwan will be seen within China as a further provocation and as support for Taiwan's independence. Is that what the President is encouraging?

Depending on China's response, the President may have succeeded in making Taiwan less secure rather than more. In sum, I am not convinced that the President has succeeded in balancing our obligations to Taiwan with a reduction in tensions across the Taiwan Strait.

In the context of this morning's hearing, how will China react to these changes? Given the rise of Chinese nationalism over the last decade, I think it fair to say that a policy of confrontation with China only aids those inside China who are against the economic reforms and social reforms of the last 2 decades, and it will oppose closer ties with the West.

It is my hope, Mr. Chairman, that as we move forward in our relationship with China that we will be clear-eyed about our strategy, sensible about our tactics, and measured in our rhetoric. I do not think that the President's new China policy meets that test.

I thank you and look forward to hearing from this morning's witnesses.

[The prepared statement of Mr. Ackerman follows:]

PREPARED STATEMENT OF THE HONORABLE GARY L. ACKERMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, it is fitting that we meet this morning to discuss our relationship with China since we have had an eventful few weeks in both our policy toward the mainland and towards Taiwan. With the announcement Monday of an extensive package of defensive arms for Taiwan, the Bush Administration sent a strong signal that the U.S. would continue to uphold our legal responsibility to help Taiwan defend itself. But this morning we awoke to a dramatic shift in U.S. policy: the President startled some of us by announcing that the U.S. would stop the annual review of Taiwan's defense needs and substitute an "as needed basis" for such reviews. Further, the President stated that the U.S. would do "whatever it took" to help Taiwan defend itself.

Mr. Chairman, I list myself as among the strongest advocates for the defense of Taiwan and I believe we should provide Taiwan with the weapons it needs to defend itself, but I fear that in the course of two days we have moved from deliberate strategic ambiguity to strategic confusion with regard to U.S. policy. That being said, we do have a legal process in place to deal with arms sales—do we ignore it? What does "as needed" mean? Who decides how often these "as needed" reviews take place? What is the role of Congress in this process? Only last year did we win the right to be consulted before a decision was reached on arms sales to Taiwan. The

President's new policy leaves our role ambiguous at best and raises questions about U.S. policy towards Taiwan.

The President's comments on "Good Morning America" with regard to defending Taiwan also raise serious questions. What does "whatever it takes" mean? Now that the President has apparently decided to be clear about U.S. defense of Taiwan, he is obligated to articulate just how such a policy will work. Did he singularly revoke existing law, the Taiwan Relations Act? Does this mean a renewed military relationship with Taiwan? Closer operational links? Are we, for the first time since the 50's, talking about joint military exercises? If Taiwan is attacked, are we at war?

Strategic ambiguity had served us well for the past twenty years, not knowing the precise nature of a U.S. response to conflict in the Taiwan Strait pressed both sides to pursue a peaceful resolution.

The President's attempt to be clear about Taiwan will be seen within China as further provocation and as support for Taiwan's independence. Depending on China's response, the President may have succeeded in making Taiwan less secure rather than more. In sum, I'm not convinced that the President has succeeded in balancing our obligations to Taiwan with a reduction in tensions across the Taiwan Strait.

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It is my hope, Mr. Chairman, that as we move forward in our relationship with China that we will be clear-eyed about our strategy, sensible about our tactics, and measured in our rhetoric. I don't think that the President's new China policy meets that test.

Thank you and I look forward to hearing this morning's witnesses.

Mr. LEACH. Well, if there are not—oh, Mr. Issa, please.

Mr. ISSA. Thank you, Mr. Chairman. I will be brief.

I am pleased that the Subcommittee has convened to discuss these important issues. When there are two sides, it is probably appropriate for a freshman to put in yet a third.

In my 20 years of doing business in Asia, both in what was Hong Kong and is now part of China, and in free China, Taiwan, I have grown to have an incredible appreciation for what China could be.

But as China continues to foster and cultivate relationships with countries that the United States finds problematic at best, and continues to refuse to be other than, by our own definition, a rogue state, selling weapons of mass destruction and participating in those activities, I would like to ask this panel today, when my question time comes up, but the public as a whole, how does China differ from the former Soviet Union in this regard? While the Cold War has ended for the rest of the world, has it really ended for China? Does not the events since April 1st, do they not point out that, in fact, there really is no end to the Cold War until China becomes, not just economically an embracer of the world's system, but also in the sense of openness and transparency, a nation which respects the rule of law and human rights?

As an unabashed free trader, I expect to continue the engagement of China, but like many of my colleagues here on the dais, I have a deep concern that current engagement has not yet yielded the real fruits that it was intended to, which is a China that more closely resembles the direction that Taiwan has pursued for the 20 years that I have, in fact, been going over there.

Thank you, Mr. Chairman. I look forward to the question period.

[The prepared statement of Mr. Issa follows:]

PREPARED STATEMENT OF THE HONORABLE DARRELL E. ISSA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Thank you, Mr. Chairman. I am pleased that the Subcommittee has convened to discuss the future of Sino-American relations. This is obviously an important issue to address and it is also one that tends to raise many more questions than it can answer.

We have had many successes engaging China in terms of trade and economic achievement. Beyond our economic policies, however, our current relationship with China mirrors our relationship with the former Soviet Union at the height of the Cold War. Similar to that era, we have an atmosphere of mistrust and suspicion. In a very Cold War fashion, both countries engage in active intelligence collection with China dramatically escalating its military expenditures year after year.

It is my hope that this hearing will not only address the positive effects of a viable trading partnership, but will also serve to explore ways to enhance our non-economic relations with China. We must resist the urge to marginalize the need for solid military and diplomatic relations and instead work aggressively to steer China off the Cold War path it now follows.

Again, I thank the Chairman for this opportunity to discuss these important issues.

Mr. LEACH. Well, thank you very much, Mr. Issa.

We will now turn to our panel, and we have three very distinguished Chinese experts with us: Professor David Shambaugh, who his the director of the China Policy Program at the Elliott School of International Relations at George Washington University; Professor Nicholas Lardy, who is interim director and senior fellow of the foreign policy studies at the Brookings Institution; and Professor Joseph Fewsmith, who is director of international relations at Boston University.

And we will begin then with you, Mr. Shambaugh.

STATEMENT OF DAVID SHAMBAUGH, PROFESSOR, DIRECTOR OF THE CHINA POLICY PROGRAM, ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS, GEORGE WASHINGTON UNIVERSITY

Mr. SHAMBAUGH. Thank you very much, Mr. Chairman, and other distinguished Members of the Committee for calling this important hearing today, your maiden hearing. I must confess to you it is also my maiden hearing in front of the Congress of the United States.

You obviously have called this hearing at a very sensitive, yet important, time in the U.S.-China relationship, as we have just come through this very unsettling EP–3 incident and the Chinese detention of our crew members.

But it is also important because the new Administration is obviously still settling into office and beginning the very complex process of getting to grips with its Asia Pacific policy and, in particular, its China policy.

I think it is fair to say there is no more important relationship to manage for this Administration in the entire world, and indeed for the Congress and our nation, than relations with China. This Committee, therefore, has an extremely important role to play in this regard.

This is your first hearing and your first hearing on China policy, but I guarantee you it is far from your last during your tenure.

And I was very struck by Congressman Faleomavaega's reference to Professor Michel Oksenberg, who unfortunately passed away a couple of months ago. He was my professor, and in fact Professor

Lardy and I just went to his memorial service over the weekend in California.

I would commend to you some testimony that Professor Oksenberg gave to your Committee about 2 years ago when Representative Bereuter was the Chair, because I remember reading that testimony in which he speaks of the history of this Committee and the role that it has played over many Administrations in shaping America's East Asia policy. It was really a striking kind of historical retrospective, so I commend you to go back and dig that out of your records and read it because as a body your Committee has a very important role to pay in shaping our relations with East Asia and with China.

And in this regard, I would submit to you that the rise of China as an Asia Pacific and global power is really the issue. It is not just managing U.S.-China relations. It is managing China's rise in the international community. This is the broader issue and I would simply encourage you to keep your eye on the ball in this broader context as you consider China both in today's hearing and subsequently, and to manage China's rise is far more than the responsibility of American foreign policy. It is indeed very much at the uppermost of the agendas of Asia Pacific nations' foreign policies, and to a certain extent the European Union. So I would submit that the United States cannot be a Lone Ranger and go it alone in its China policy. It must, I emphasize, really must coordinate and consult regularly with our allies and our partners in the Asia Pacific but also in Europe.

We frequently look across the Pacific only when we fashion our Asian policy when, in fact, we should consider the role that European powers play there as well.

So one must keep their eye on the big picture of China's emergence, China's multi-faceted transitions internally, economically, socially, politically, intellectually, as well as the challenge as the China poses externally, which tend to garner most of the headlines—the military challenges, strategic challenges and diplomatic challenges.

My two colleagues who you will hear from shortly, I think, will address the internal challenges perhaps more, so I am going to limit my comments mainly to the external domain, to the strategic-military domain, but let me make two points about the internal transitions that China is undergoing.

First, no nation has ever experienced such a sweeping series of domestic changes on such a large scale in such a compressed period of time as China has in the last 20 years and in the next coming period. We need to understand China and shape our policies toward that nation recognizing this dynamic domestic process.

And, secondly, it is very much in our national interests, I would submit to you, that China succeed in managing these domestic transitions toward a more open, more transparent, more pluralistic, and more free direction, yet do so in as stable and humane a manner as possible.

We must as a country, I think, speak very clearly, very forthrightly about the kind of China we hope will emerge and that we seek to fashion our policies toward a kind of China that we hope will emerge, and not to fuel Chinese nationalism and anti-Ameri-

canism, which does exist, and I will come back to this point, by appearing to frustrate China's attempts to modernize itself.

This is a 130-year-long process, China's modernization. That China will modernize is not the question. The question is what role will the United States play in that process? Will we seek to frustrate it or facilitate it—or some combination of the two? Professors Lardy and Fewsmith, I think, will speak to the domestic, economic, and political side, so let me turn my attention in the remaining time to China's external orientation and make a few points about the kind of China that we as a nation should seek in this regard.

First, a China that is engaged positively with its region and in East Asia, and I dare say increasingly in South Asia and Central Asia, but also with the world at large. A isolationist China or a very nationalistic, assertive China is not in our national interests; rather one that is a status quo power that understands and supports the rules of norms of international conduct is in our interests and indeed China's neighbors' interests.

Secondly, we should seek a China that does not threaten its neighbors militarily, including Taiwan. And it is clear that China is on that path. I will come back to that in the context on Taiwan arms sale decisions in a second.

Third, we should seek a China that does not destabilize other sensitive parts of the world, particularly the Persian Gulf, but also South Asia, even North Africa and the Middle East, through proliferating weapons of mass destruction and their means of delivery.

We should seek a China that accommodates itself, and this is a very important point, accommodates itself to the American-led regional security architecture in East Asia rather than opposing that architecture or seeking to undermine or disrupt it. This is, in the strategic domain, I think, really the issue that we have to get to grips with China, and you can only do so through intensive dialogue and with engagement. China has a very different view of the regional security architecture than does the United States and its view, in short, is that the United States should not lead that regional security architecture. That is a fundamental problem that we must get to grips with, and that, I would submit, argues for continued interactions between the American and Chinese militaries at some level.

We should also seek a China that modernizes its own national defense capabilities in a measured and nonthreatening manner; a China that is not a purveyor of nonconventional security threats to its neighbors, narcotics, aliens, organized crime, HIV, AIDS, pollution and so on.

And we should seek a China that does not try to turn its so-called strategic partnership with Russia into an anti-American alliance or relationship.

And finally, we should seek a China that contains its own nationalist and xenophobic impulses, which are on the rise and which is an important variable in China's reaction to the United States. And we saw that in this recent EP–3 incident as well.

So these are the broad benchmarks that I think we should seek from the PRC.

Let me just close my opening statement by saying that we should not be naive about the country that we are dealing with here. I

should be precise. We should not be naive about the government we are dealing with here. It is a government, if not a population in the first place, that harbors deep suspicion, even hostility, toward the United States. I say this after 25 years of studying their perceptions of the United States.

One does not have to be a China specialist to see this. One reads it in their newspapers all the time. One sees it in other spontaneous public outpourings. There is deep suspicion, as I say, even hostility toward the United States, and it not an exaggeration to say that it is China's singular foreign policy goal to weaken and dilute American power in East Asia, if not globally.

Fortunately, for us, it lacks the capability at present to do so, but that is still their goal. Let us be clear-headed about that. And it claims, China does, that the United States is a hegemonic nation attempting to conquer the world and is therefore the greatest threat to world peace. This is not conducive to a constructive, positive relationship with the United States.

In other words, we must take China's rhetoric and perceptions seriously, and not just dismiss them as empty propaganda or some kind of nationalistic aberration. China does not like what we stand for in the world and the way that we behave in the international arena.

China is also a one-party authoritarian state, but one that I would submit is deeply insecure. It is very resistant to political change from without, and is experiencing only superficial political change from within.

The regime is insecure and sitting on a number of very difficult protracted problems about which my colleagues will talk about in a minute, I think. But it is not on the verge of implosion such as the former East European or Soviet Union communist regimes. It is in the process, in my view, of a progressive decay of that communist party-state. But insecure regimes, as we know, can be very dangerous, and in this context we have to consider aggressive moves toward Taiwan.

This is a regime, too, which seeks to restore its dominant role in East Asia, I would submit, eventually pushing us out of the region militarily, keeping Japan down and in a box without any role in regional security and a China which exercises, in essence, a veto power over other states in the region. This is not conducive to our regional security goals.

China is also intent on reintegrating Taiwan under the sovereign and political control of the mainland. This is, of course, a very complex issue that we can explore in discussion, and I would just commend the Bush Administration on its recent arms sales decision. This package strikes me as absolutely perfect. It did not sell the weapons it should not sell, and it has offered for sale, I should say, precisely the weapons that Taiwan most needs to meet the most challenging threats to its security today; namely, naval blockades, quarantines in particular. We can come back to that, but I think the Bush Administration did exactly the right thing.

And finally, this is a regime that nonetheless despite its hostility toward the United States, its insecurity and so on, it nonetheless needs the United States in a number of ways. It needs to for its own domestic modernization. It needs it for peaceful East Asian en-

vironment. And therefore it is prepared to coexist with Washington as long as Washington does not jeopardize its four core interests, and I will end on this point.

What are China's four core interests?

First, monopoly of political control by the Chinese Communist Party. That is number one. They are a regime seeking to stay in power. Secondly, the reabsorption of Taiwan; third, the maintenance of territorial sovereignty and integrity; and lastly, maintaining an inert Japan with weak defensive capability and no regional security role.

So this strikes me as an agenda of both difficulty but also opportunity with China, and it strikes me, in summary, that we have a relationship that mixes cooperation and competition together, and unfortunately, the discussions in the campaign last year and frequently in the press of having to choose between a strategic partnership and strategic competition is a false dichotomy. We, in fact, have simultaneously both in our relationship with China.

So let me close by thanking you for this opportunity to share my very brief thoughts with you and I would be happy to try and respond to any questions you may have.

Thank you.

[The prepared statement of Mr. Shambaugh follows:]

PREPARED STATEMENT OF DAVID SHAMBAUGH, PROFESSOR, DIRECTOR OF THE CHINA POLICY PROGRAM, ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS, GEORGE WASHINGTON UNIVERSITY

Given division of labor/expertise among the three of us, I will concentrate my opening remarks on the broad nature of the US-China relationship, and then will say a few things about the strategic-military domain. In addition, my *Foreign Affairs* article submitted for the record, spells out some of my broader thinking about Sino-American relations and challenges for the Bush administration.

Let me first thank you, Mr. Chairman, and other distinguished members of the Committee for calling this important hearing. You have done so at an important and sensitive time—as we have just come though a very unsettling experience with the EP–3 incident and Chinese detention of our crew members—but also because this is hearing also timely given that the new administration is settling into office and is beginning the complex process of getting to grips with its Asia-Pacific policy, and, in particular, its China policy.

I think it is fair to say that there is no more important relationship to manage for this administration, indeed for the Congress and our nation, than that with China. This Committee has a very important responsibility in this regard—to monitor and help shape America's policies toward China and our national response to the rise of China as an Asia-Pacific and global power.

In doing so, I would encourage you to keep your eye on the big picture of China's multifaceted transitions *internally*—economically, socially, politically, intellectually—as well as the challenges China poses *externally* in military, strategic, and diplomatic terms (and the interface between the two).

My colleagues will address the former transition and variables, but let me just note:

- No nation has ever experienced such a sweeping series of domestic changes on such a large scale in such a compressed period of time.
- It is very much in our national interests that China succeed in managing these domestic transitions towards a more open, transparent, pluralistic, and free direction—and to do so in as stable, yet humane, manner as possible. Our nation must speak clearly and forthrightly about the kind of China that we hope will emerge—and not to fuel Chinese nationalism and anti-Americanism by appearing to be trying to frustrate China's attempts to modernize itself. We must do so clearly and consistently.

In terms of China's external orientation, we should seek a China that:

- Is engaged positively with its region and the world;

- Does not threaten its neighbors, including Taiwan;
- Does not destabilize other sensitive areas of the world through proliferating WMD and their means of delivery;
- Accommodates itself to the American-led regional security architecture, rather than opposing or trying to disrupt it;
- Modernizes its national defense capabilities in a measured and non-threatening manner;
- Is not a purveyor of non-conventional security threats—narcotics, aliens, organized crime, HIV/AIDS, pollution, etc.;
- Does not try to turn its "strategic partnership" with Russia into an anti-American alliance or relationship;
- And that contains its own nationalistic and xenophobia impulses.

These are broad benchmarks for what we should seek from the PRC, but let me just close this opening statement by saying that we should not be naïve about the country we are dealing with. It is a *government* that:

- Harbors deep suspicion, even hostility, towards the United Sates. It is not an exaggeration to say that its singular foreign policy goal is to weaken and dilute U.S. power (although, fortunately for us, it lacks the capability to do so). It claims that the United States is a hegemonic nation attempting to conquer the world and is, therefore, the greatest threat to world peace. Make no mistake, the kind of hostile rhetoric we have heard and read out of China in recent weeks is no aberration—nor is it empty propaganda we should dismiss as such. China does not like what we stand for or the way we behave in the international arena.
- Is a one-party authoritarian state—but it is also one that, I believe, is deeply insecure. It is very resistant to political change from without, and is experiencing only superficial political change from within. The regime is insecure—sitting on all kinds of problems—but not on the verge of implosion ala the former Soviet Union or Eastern Europe.
- Wishes to restore its dominant role in East Asia—eventually pushing us out of the region militarily, keeping Japan "in a box" without any role in regional security, and exercising a veto power over other states in the region.
- Is intent on reintegrating Taiwan under the sovereign and political control of the mainland—*but* with some possibility that this may not be the PRC.
- Finally, it is nonetheless a regime that *needs* the United Sates in a number of ways, does not seek an openly hostile relationship with N.E. Asia, and is prepared to coexist in the short-term, as long as Washington does not jeopardize its four core interests:
  - — Monopoly of political control by the CCP
  - — Reabsorbtion of Taiwan
  - — Maintenance of territorial sovereignty and integrity
  - — Maintaining an inert Japan with weak defensive capability and no regional security role.

Thank you for this opportunity to share my thinking with you. I would be pleased to try and respond to any questions you may have.

THE NEW YORK TIMES, TUESDAY, APRIL 3, 2001

A27

No Easy Way Forward With China

By David Shambaugh

WASHINGTON

The most recent crisis in Chinese-American relations is escalating tensions with every passing hour and

top of the government, the Chinese military and Communist Party, and it suggests that at least one faction is calling for drastic action. The worst outcome would be for the American crew to be charged with espionage and infringement of Chinese sovereign air space, in which case there would probably be a show trial with

the Chinese military, internal security services and Communist Party elite who are arguing for such extreme action. They may finally feel an opportunity to pay Washington back for a long list of incidents they see as aggression: the bombing of the Chinese embassy in Belgrade in 1999; the boarding and inspection of

these sales.

The Sino-American relationship has experienced some severe shocks over the dozen years since the 1989 Tiananmen massacre, but it has nonetheless exhibited an ability to live with a certain degree of tension and mutual suspicion without deteriorating into a new cold war. This is because there are powerful reasons for the two powers to remain positively engaged, and powerful constituencies on both sides for doing so. An adversarial relationship helps neither side, although it is pushed by conservative elements and defense industrialists in both countries.

Yet one senses that with the current crisis, relations are at a defining moment. Despite the visit to Washington last week by Qian Qichen, China's vice premier, and the generally conciliatory tack he took, Beijing has not gained a sure footing with the Bush administration. It could decide to defuse the crisis through releasing the plane and crew, thus stabilizing relations, or it could push the relationship into a new stage of hostility.

Ultimately, the crisis will be resolved against the backdrop of domestic Chinese politics, the ongoing leadership succession process, the insecurity apparent in the government's recent handling of the Falun Gong movement and other nagging domestic issues. Also in play are the staunch conservatism in the party-military establishment and the popular nationalistic desire for "payback" against the American hegemon. This combination of indigenous variables does not augur well for a quick and peaceful resolution.□

FOREIGN AFFAIRS

JANUARY/FEBRUARY 2001

The Tiananmen Papers

Secret documents reveal how China's leaders decided to crush the 1989 student protests — a decision that split the leadership, forced a purge, and froze political reform.

Challenges for the Next President

Tensions with China
DAVID SHAMBAUGH

Free Trade Hurdles
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Facing Reality in China Policy

David Shambaugh

CHINA POLICY IN TRANSITION

THE CAMPAIGN is over and, although the rhetorical smoke about whether China is a strategic partner or competitor still lingers, the new U.S. administration must now craft and implement its policies toward China and Taiwan. The president's foreign policy and security team has to adjust itself to a number of pressing realities, so the White House should move with dispatch to process senior China and Asia appointments and begin systematic policy reviews. This group should focus on both the current U.S.-China agenda—which includes some important issues that require immediate attention, and the broad

Burke-class destroyers equipped with sophisticated AEGIS battle-management systems and antimissile defenses will be particularly sensitive and has the potential to precipitate a diplomatic crisis with Beijing. The administration needs to be prepared for the fallout if it decides to proceed. U.S. policymakers will also face ongoing choices about helping Taiwan upgrade its military command-and-control infrastructure and potentially providing theater missile defenses (TMD) for the island.

Second, the need to jump-start a dialogue and build a sustainable framework of interaction between Beijing and Taipei is pressing. The current impasse between the two sides is fraught with danger—it threatens U.S. interests (and potentially soldiers' lives), as well as broader peace and stability in the Asia-Pacific region.

While not trying to mediate the intractable problem, the new

this search for possible solutions and may have much to offer in the process. Nations with similar political structures, such as Great Britain, India, Australia, and Germany, may also have useful ideas and experience to contribute.

To reach a solution, ultimately, will require a redefinition of China's status as a state in the international community, as well as a reconfiguration of the mainland's political system. If Beijing truly wishes to solve the Taiwan problem, it must be prepared to undertake substantial political changes at home. It must shed its ossified positions and develop a truly innovative and flexible formula that actually attracts Taiwan back into the national fold. Forcing unification will never work, and the Hong Kong model will not satisfy the Taiwanese.

Such an outcome, however difficult, would provide a win-win solution. In the meantime, a variety of interim agreements could be reached to preserve stability while progressively moving toward a new federal or confederal system. (An essential component of any interim agreement would be a pledge by China not to use force in return for a pledge by Taiwan not to declare independence.)

The third pressing issue for the new administration is the implication for the U.S-China nuclear balance of pursuing a U.S. national missile defense (NMD). Although NMD has yet to prove technically feasible, China has warned it will increase its nuclear arsenal at least tenfold—from its current 16–20 intercontinental ballistic missiles to 200–250—if the United States proceeds with even the most minimal variant of NMD. As with the AEGIS destroyer decision, but with much

AP/WIDE WORLD PHOTOS

On guard: Japanese photographers with a Taiwanese soldier, Kinman Island, Taiwan, March 9, 2000

(the culmination of former Secretary of Defense William Perry's diplomatic efforts as President Clinton's special envoy to North Korea), Beijing and Washington have adopted reinforcing policies in support of further Korean cooperation.

But change on the Korean Peninsula also further emphasizes the need to develop a regional security architecture that redefines, yet enhances, U.S. mutual security alliances in East Asia and keeps American military forces forward-deployed, but in a way that China can live with. The problem is that official Chinese policy advocates abrogating U.S. official alliances and an eventual withdrawal of U.S. forces from the region. This unsustainable position betrays a fundamental disagreement about America's preeminent security role in East Asia and Japan's increasing regional security contribution. Indeed, it is a dangerous cancer festering on the U.S.-China relationship and on the Asia-Pacific region.

Washington urgently needs to initiate and sustain high-level discussions with Beijing to explore a regional security architecture that both retains long-standing U.S. commitments and, at the same time,

involves China more actively and constructively in maintaining regional security. If China remains outside such an architecture or becomes the expressed target of such alliances, the region will remain fundamentally unstable. Beijing needs to be drawn into an adjusted regional framework in a positive-sum fashion—but this requires significant policy adjustments from both governments.

Fifth, the next administration inherits ongoing concerns about China's proliferation of nuclear technology and missile components. Fortunately, in the waning months of the Clinton administration, Washington persuaded the Chinese government to institute more thorough export controls to govern the transfer of sensitive items used for developing ballistic missiles. The new administration should press for firmer commitments and work to integrate China fully into the Missile Technology Control Regime.

Americans are beginning to doubt the wisdom of military cooperation with China.

Sixth, the perennial American concerns about improving human rights and the rule of law in China remain unresolved. The situation has continued to deteriorate over the past year, particularly with Beijing's continued persecution of house churches (small Christian assemblies that meet in homes) and various religious practitioners, including the Falun Gong sect. The administration needs to prepare its strategy now for the spring meeting of the U.N. Commission on Human Rights in Geneva by mounting a serious campaign to mobilize a broad coalition of nations in condemnation of Beijing's abuses. Heading this charge will prove diplomatically difficult, but to not do so would be morally abject.

Seventh, within the first six weeks after the new president's inauguration, the Pentagon and the Chinese military are due to hold their annual Defense Consultation Talks. Aside from allowing senior officials of the two military establishments to exchange views on global strategic and regional security issues, these talks also set the schedule for bilateral military exchanges for the balance of the year. These exchanges are important to both sides for a number of reasons but have come under increased scrutiny and fire from Congress and some American commentators. The new military-exchange package needs to be negotiated with care, with an eye toward protecting U.S.

national security while advancing useful interchange.

Finally, China is in the last lap of gaining full accession to the World Trade Organization (WTO). The United States cannot do much more to help the process now that Congress has voted to extend to China permanent normal trade relations (PNTR). Beijing has one more bilateral agreement to conclude, with Mexico, but the endgame has already begun in the WTO Working Party in Geneva. The new administration's trade representatives should both work to forestall any backsliding on Beijing's part and move with dispatch to finish the complex and protracted process soon so that China can take its WTO seat this year.

THE TIES THAT BIND

IN ADDITION to the pressing issues detailed above, Washington's new administration also inherits the broader context of U.S.-China relations: the bilateral, regional, global, and domestic concerns that surround the relationship. These realities will help shape, but will also constrain, any policy initiatives. The new administration must therefore appreciate and proceed from five fundamental realities that shape the policy environment.

First, engagement with China is a fact of life, not a policy preference that can be turned up, down, on, or off at the whim of an administration. The United States and China are linked by an extensive web of cultural, societal, scientific, and commercial ties that bind the two nations together through countless daily human interactions. Unlike during the Cold War with the former Soviet Union, during which the two adversaries had minimal exchanges in these areas, today Americans and Chinese share a dense network of professional and personal bonds. These bonds are neither generally reported in the media nor appreciated by analysts, but they form a real web between the two countries.

Every year nearly 200,000 Americans visit China, but even more Chinese received tourist visas to the United States in 1999 (the U.S. embassy in Beijing reported 320,000 applications, of which it granted 214,000). In addition, approximately 50,000 Chinese students received visas to study in the United States this academic year. Although not large in aggregate terms, a small but steady current of scientists and other professionals crosses the Pacific in both directions to collaborate

in research, attend professional meetings, and share views. Cultural and athletic exchanges, as well as sister-city and state-province exchanges, add to the total number of social and cultural linkages. These ties have grown steadily over the two decades since the normalization of diplomatic relations.

Extensive trade and commercial ties also bind the two nations. They are engaged in nearly $100 billion in annual bilateral trade, the volume of which has grown by more than $10 billion per year recently—a rate that will only accelerate now that Congress has granted PNTR to China. Of course, the more than $60 billion trade surplus in China's favor is unacceptably high and needs to be brought down. But overall, trade and investment further anchor the often volatile relationship, counterbalancing frictions in other areas.

The wide range of communications and transportation links are another obvious, but important, element literally connecting the two nations. Daily flights between the two countries are regularly full. Telephone calls, e-mails, and faxes crackle through the wires every minute of the day. Journalists of the print and broadcast media, in addition to filmmakers in both nations, also directly inform the average citizens of both societies about each other. In short, American and Chinese societies are bound together by both the forces of globalization and by their own thick network of bilateral interactions. These various nongovernmental exchanges give depth and breadth to U.S.-China relations and provide powerful buffers against the frequent volatility of political and strategic relations.

Therefore, U.S.-China relations are not necessarily adversarial, as some commentators suggest. Cold War–era relations between the United States and the former Soviet Union, by contrast, allowed for only minimal exchanges of the type that connect Chinese and American private citizens today.

COOPERATION AND COMPETITION

THE SECOND REALITY is that, although often juxtaposed in rhetoric, as during the recent U.S. presidential campaign, the dichotomy between strategic cooperation and competition is a false one—the U.S.-China relationship is a mixture of both. Despite the discordant

issues over which their mutual interests and perspectives diverge and diplomatic tensions sometimes run high, numerous areas exist where the two governments have complementary or convergent interests and can enjoy positive ties.

For example, in the area of "high security," Washington and Beijing share interests in stemming the development of weapons of mass destruction and controlling their means of delivery; limiting the spread of fissile material and other militarily and strategically sensitive items; adherence to the nuclear Nonproliferation Treaty (NPT) and the Comprehensive Test Ban Treaty (CTBT)—despite the latter's nonratification by the U.S. Senate—and working together in the field of nonproliferation; promoting a peaceful, economically viable, socially stable, and ultimately reunified Korean Peninsula free from weapons of mass destruction; reducing tensions in South Asia by bringing both India and Pakistan into the NPT and the WTO and freezing the nuclear programs of both nations before they move to weaponization and deployment; a peaceful resolution of the Taiwan problem according to the "one China" principle; and finally, peace and stability in the Asia-Pacific region (even if the two sides view the sources of instability differently and advocate different means of conflict prevention). These are all vitally important strategic commonalities to build on.

> Both sides must be careful not to incite a military conflict over their disagreements on Taiwan and the U.S. military role in Asia.

In addition, the two governments engage in substantive cooperation on a variety of issues that are increasingly important for regional and broader international security. Limited cooperation in the "low security" area includes combating narcotics production and trafficking, fighting organized crime, controlling illegal immigrant smuggling and piracy, controlling weapons smuggling, promoting economic stability and security, protecting the environment, providing disaster relief, and peacekeeping operations.

Of course, in addition to the many areas where Chinese and American interests coincide, real and fundamental disagreements over security also exist—particularly over Taiwan's security, and

Japan's and America's military roles in East Asia—but these two powers are not preordained to suffer a hostile and adversarial relationship.

Because theirs is a relationship that contains the very real possibility of conflict, it is imperative that Beijing and Washington maximize cooperation, manage frictions, live with competition, and coexist peacefully. Above all, they should work to avoid confrontation—in the short term over Taiwan, and in the longer term over shaping the regional security structure for the early twenty-first century. Policymakers and pundits on both sides must keep vigilant watch for an inadvertent drift into conflict and work to avoid, not precipitate, a slide toward confrontation.

Whenever two nuclear powers face confrontation, they risk disaster. A war of either words or weapons between the United States and China will not serve their own national interests, the health of the Asia-Pacific region, or global stability. The operative goal for the two governments must be not only to manage the tensions but also to narrow the differences and thereby promote stability.

LIMITS TO CHANGE

THE THIRD REALITY that the new U.S. administration must accept is that China is a one-party authoritarian state resistant to political change. As abhorrent as most Americans find the Chinese political system and the horrendous abuses that the Chinese Communist Party (CCP) has inflicted on its citizens during its 50 years in power, the reality is that the U.S. government has very limited direct influence over the regime's domestic behavior. Unilateral pressure and sanctions have had an ephemeral impact at best, often aggravating relations unnecessarily, while multilateral pressure has proven only marginally better. Although America's democratic example remains a beacon for China's oppressed citizenry, Washington must be realistic about its external influence.

Americans are not likely to abandon their century-long "missionary impulse" to remold China in their liberal image, but they must be more patient about achieving that goal. Fundamental political change in China is possible, but it must come from within. There is little doubt that the CCP regime is ridden with cancerous corruption and has badly

atrophied as a centrally controlled Leninist organization. Furthermore, it now lacks legitimacy in the eyes of many Chinese, as evidenced by a continuously rising number of public protests. In many ways, today's China exhibits all the classic signs of dynastic decline. But it is not likely that the CCP will implode and collapse like its counterparts in the for-

dispatched slightly more often—but seemingly always on the eve of a vote in the U.N. Human Rights Commission in Geneva. Such eleventh-hour diplomacy is inexcusable treatment of close allies, undermines American policy goals in multilateral organizations, and hinders the U.S. effort to mobilize international coalitions to move China in more constructive directions. In fact, the European Union commits more resources and manages more programs to improve China's governance than does the United States.

In addition, American and European experts on China and Asia need to interact much more, and a designated "Track II" diplomatic channel (unofficial contacts among nongovermental actors aimed at advancing diplomatic efforts) needs to be established to enhance policy dialogue. As the new administration forges its China policy, it must look across the Atlantic as well as across the Pacific. With appropriate consultation with its allies, Washington would likely find substantial European support for its diplomacy with China.

A divided Congress and a president with a weak mandate will have to work together and sell a new China policy to the American public.

Washington's consultations with governments in the Asia-Pacific region have been better than those in Europe but remain insufficient. Asian officials (including key allies in Tokyo and Canberra) too often learn of American initiatives toward China from the newspapers. Washington must anchor a successful policy toward China with a broader regional strategy—and it must sustain that strategy through frequent and detailed consultations with Asian states.

This diplomacy must begin with Japan, but it should also include America's four other regional allies—South Korea, Australia, Thailand, and the Philippines—and strategic regional partners such as Singapore. U.S. policymakers would also do well to consider Indian interests, through discussions with New Delhi, when formulating China policy. Again, these official consultations should be supplemented with Track II dialogue among specialists.

Above all, the new administration must view its bilateral relationship with China as just one element, albeit an important one, of its larger

Asian vision—a multilayered security architecture, an open trading system, the growth of liberal democracy, increased rule of law and transparency, and strengthened interaction among like-minded states.

PARTNERING WITH CONGRESS

FIFTH, a successful China policy begins at home, with political cooperation in its formulation and public support for its implementation. But the bipartisan consensus that undergirded and guided China policy in the 1970s and 1980s has unfortunately collapsed, replaced by polarization and politicization of policy. Yet a political center in favor of "engagement" with China does exist between the Republicans and the Democrats, although extreme voices on both sides have been growing more vociferous. The issue of how to deal with China has become a lightning rod for the left and right alike. This political bickering places a crippling domestic burden on an effective China policy.

The new president and his administration should make rebuilding a bipartisan political consensus on China a high priority. This will not be easy given a Congress more evenly divided than at any other time in nearly a half-century and a president with a weak mandate to rule. To overcome these drawbacks, the president must devote regular personal attention to China and require the same of his cabinet. History clearly shows that China policy suffers from inefficiencies and bureaucratic rivalries when the president and senior White House staff are disengaged. Furthermore, the new president and his staff need to master the U.S. negotiating record with Beijing and Taipei and clearly understand Washington's previous commitments.

An essential part of this engagement means establishing a constructive partnership with Capitol Hill. Early in his first year, the president and key cabinet members should meet with the congressional leadership to define the division of responsibility between the two branches of government in forming a new consensus on, and implementing, China policy. Certain items should be protected from political squabbling, including arms transfers to Taiwan, which remain the prerogative of the executive branch. Regular executive-legislative consultations could establish an atmosphere of mutual trust and improve policy implementation.

Moreover, after agreeing to such a framework with Congress, the president needs to explain to the American public why the United States needs a good working relationship with China. He should personally make the case for depoliticizing China policy, make clear what America's vital interests are with respect to Beijing and Taipei, and enunciate a clear vision for managing these complex relationships. A high-profile public speech early on should accomplish these tasks. Although a successful policy must reflect the views and support of the American people, public perceptions also require cultivation and education. New administrations often provide windows of opportunity for bipartisan agreements. If such basic and broad consensus can be reached, the media and the multitude of involved interest groups will take their cues accordingly.

In formulating and planning how to implement its China policy, the new administration must recognize that dealing with China is no longer the sole preserve of the executive branch. It is now a profoundly pluralized policy process—perhaps more than U.S. policy toward any other country. Congress, interest groups, and the media all have important roles as well as responsibilities. Congress should also consider holding Fulbright-style hearings on China policy, convened by a specially composed bipartisan committee, to air the range of views about America's most important future relationship.

THE BUREAUCRATIC CONTEXT

A FINAL STEP toward devising a successful China policy is to institutionalize some new positions and procedures within the executive branch. A number of reforms are needed.

First, China policymaking needs to become more centralized. A single individual should be vested with presidential authority to oversee and coordinate China policy across executive-branch departments. This individual should have substantial experience with China and Taiwan issues and the stature necessary to command respect from both Beijing and Taipei; this person would also need the trust of the

ability to manipulate the separate parts of the Washington bureaucracy and Congress. This official would also synthesize the component parts of China policy, facilitate its implementation, and be the point person on domestic relations.

In addition, it now makes little sense to bureaucratically divorce East Asia from the rest of the continent. The U.S. foreign policy machinery has yet to adjust to the post–Cold War Asia, where issues and problems quickly cross borders and are inextricably intertwined. South Asian issues have a much closer bearing on East Asia than on the Middle East, and the Central Asian republics are also developing closer ties to East Asia. Serious consideration should be given to bringing South and Central Asia under the Asian Directorate at the National Security Council (NSC), as well as creating a broader Bureau of Asian Affairs at the State Department. This bureau would be staffed by an assistant secretary with overall regional responsibility but also with deputy assistant secretaries designated for various subregions of Asia. The intelligence community should also be restructured accordingly (in one particularly odd anomaly, the East Asia analysis team at the CIA is currently lumped together with the Latin America team).

This new regional system would take the many issues that transcend Asian borders—weapons of mass destruction, organized crime, narcotics, public health, human rights, and the environment—out of the current piecemeal, bilateral mold. It would also help link these issues to global policy initiatives. More functional specialists also need to be appointed to the new regional bureaus, as has already started happening at the CIA. The State Department, the NSC, and the Department of Defense should seriously consider adopting a similar model. The dramatically increased "functionalism" of the foreign policy and national security bureaucracy during the Clinton years has often been a recipe for uncoordinated and overly cumbersome policymaking. Hence, streamlining functional expertise and integrating it into reconfigured regional bureaus would improve policy development and execution.

Such reorganization would also better harmonize China policy with broader Asia policy. China policy has too frequently been made on the basis of bilateral or domestic concerns, without due regard for

its impact on the region or the interests of China's neighbors. Occasionally, the same problem has led the United States to neglect the impacts of its regional actions on China. For example, when the U.S. Army's 82nd Airborne Division parachuted into Mongolia and Kazakhstan last summer in joint exercises aimed at building bilateral security ties with these countries, China's perceptions of such actions were not given due consideration.

GETTING CHINA POLICY RIGHT

IMPLEMENTING THESE POLICIES will require recognizing China's

Mr. LEACH. Thank you, Professor.

Professor Lardy.

STATEMENT OF NICHOLAS R. LARDY, PROFESSOR, INTERIM DIRECTOR AND SENIOR FELLOW, FOREIGN POLICY STUDIES, BROOKINGS INSTITUTION

Mr. LARDY. Thank you very much, Chairman Leach, for inviting me——

Mr. LEACH. Excuse me. If I could ask you pull your microphone a little closer as well.

Mr. LARDY. Thank you very much inviting me to appear before the Committee today. I appreciate this opportunity. I did submit several days ago a longer piece and I just want to bring out a few additional points in the limited time I have available.

I am going to focus, obviously, on the economic side, and I do think this is a very important dimension of the relationship. I think one has to begin by recognizing the huge rise of China. David Shambaugh has already done this. But in economic terms it has really been quite remarkable in the global scene over the last decade or so.

China is now the seventh largest trading nation in the world, up from ninth last year. It is now trading more than both Italy and The Netherlands. It is behind, in other words, only six countries, and it has increased its share of world trade more rapidly than any other country in the post-World War II period. It has just been growing, its trade share is actually more than quintupled over the last 2 decades.

And I think, given the continued relocation of firms from Hong Kong, Taiwan, South Korea and Japan, China's trade is likely to continue to grow at a much more rapid pace than world trade as a whole. Last year, for example, almost half of China's exports were produced by firms either fully or partially owned by foreign companies operating in China. This has been a major engine of growth and it is likely to continue to be a major engine of growth.

China is already the site of more than a third of all foreign direct investment in all emerging markets combined, and I think this trend will continue in the years ahead, particularly once China comes into the World Trade Organization.

So I think one has to take as a given that China is a rising power in terms of trade and investment, and is likely to continue to be so for the foreseeable future.

Let me just say something briefly about the growth of the bilateral relationship between China and the United States over the past decade or so in the context of this larger picture of China's increasing global role.

The United States has now become China's largest export market by a very wide margin. We are buying immense quantities of China's labor-intensive exports; things like footwear, toys, sporting goods and consumer electronics. China, in turn, has become our fourth largest trading partner. It is our eighth largest export market and is a very important market for things like aircraft, fertilizers, computers, telecommunications equipment and a variety of other kinds of capital goods. So the trade has grown very, very robust in aggregate terms.

Our trade deficit is quite large and I would assert it is certain to become much, much larger for the foreseeable future because of this pattern of migration of firms elsewhere in Asia to China that has been underway for now well over a decade.

I mentioned the share of foreign invested firms in China's total exports was almost half last year. It was about 48 percent. A decade ago it was 12.5 percent. So the share of total exports being produced by foreign firms operating in China has become quite large, and as I have already indicated, I think this will accelerate, particularly when China and Taiwan both enter the World Trade Organization. So we have a major structural source of the deficit, I believe, and that is China's very, very liberal foreign investment environment combined with very efficient low-cost labor.

The third point I would like to make is I believe China remains fully committed to completing its transition to a market-oriented economy. It has gone unnoticed but it has continued to cut tariffs and non-tariff barriers on a unilateral basis over the last couple of years, and it is basically following the time table and schedule that was set forth in its 1999 bilateral agreement with the United States, even though it is under no obligation to implement that schedule of tariff cuts and reductions in non-tariff barriers until after it comes into the World Trade Organization.

I think this reflects a very deep commitment on their part, both to come into the World Trade Organization and also to use the Trade Organization commitments as a lever to accelerate their own domestic economic reforms.

I do not believe that there is any solid evidence as has been widely speculated in recent weeks and months that there is a conservative kind of protectionist wing of the political spectrum in China that is in the ascendancy and is blocking the final steps that are required to reach an agreement on the World Trade Organization. I do not subscribe to that theory, and quite frankly, I do not see any significant evidence in favor of it. I think they are committed to getting in, and are working hard to do so given all the constraints that they face.

I just would conclude with some general comments on the relationship between politics and economics in bilateral relationship. I think the first important point to note is that there has been a continuous expansion of our bilateral trade as well as significantly increased investment by U.S. multi-nationals in China over time, and this has occurred despite very substantial fluctuations in the bilateral political relationship.

In the last 11 or 12 years, we have been through at a minimum the major fluctuations caused by Tiananmen, for example; in 1989, China's missile firings in the Taiwan Straits in 1996 and the U.S. military response to that; our accidental bombing of the Belgrade Embassy of China in 1999; all of those have caused difficulties in the political relationship, but the economics have moved ahead on both the trade side and the investment side. And I do think that this will almost certainly continue to be the case in the wake of the incident over the EP–3.

In other words, there exists a very deeply rooted economic relationship that is highly beneficial to both sides, and has some insulation from political fluctuations.

And I would just close on the thought that I would argue that economic engagement has actually worked to our advantage, not only purely in economic terms, but I think it has also worked to our advantage on the political side and the strategic side as well.

There is little doubt in my mind that if China did not have a $125 billion trade relationship at stake with the United States that it would have taken us substantially longer to secure the release of the servicemen and women serving on the aircraft. So obviously we are distressed that it took 11 days. It should have been faster. But I think it is almost inevitable that if China did not have a very substantial stake, economic stake in the relationship with the United States, it would have been much more difficult to get the crew back and it probably would have been significantly more protracted.

Thank you.

[The prepared statement of Mr. Lardy follows:]

PREPARED STATEMENT [1] OF NICHOLAS R. LARDY, PROFESSOR, INTERIM DIRECTOR AND SENIOR FELLOW, FOREIGN POLICY STUDIES, BROOKINGS INSTITUTION

Since its economic reforms began in the late 1970s, China has had one of the fastest-growing economies in the world. Between 1979 and 2000 real gross domestic product (GDP) increased more than six-fold. Although per capita income remains low, China's huge population means that in aggregate terms it is already among the larger economies in the world, much larger for example than Russia or India, or even the two combined. During the same period, the growth of China's international trade has been even more impressive, such that the country's share of world trade has more than quintupled, to about 4 percent at present. No other country has ever increased its share of world trade so rapidly. Since 1995 China has been one of the world's top 10 trading countries.

CHINA'S ECONOMIC RISE

China's prospective membership in the World Trade Organization (WTO) is of enormous potential consequence both for China and the international trading system. The commitment of China's leadership to further open its domestic markets for imports, foreign services, and foreign investment will mean increased domestic competition that the leadership expects to leverage into accelerated domestic economic restructuring. The goal is not so much to increase the headline rate of growth, but to improve the quality of growth and insure its sustainability. China wishes to reduce environmental degradation, increase the share of consumption in national income, promote productivity growth, and reduce waste. If this strategy can be implemented successfully China will continue to narrow the still very large gap in per capita income levels between itself and the most advanced industrial economies.

Unless these trends change fundamentally, China's economy is expected to surpass that of all individual European countries in terms of GDP size and rank only behind the United States and Japan within two decades. Over the same period China may become the world's second-largest trading country, exceeded by only the United States.

IMPLICATIONS FOR THE WORLD TRADING SYSTEM

China's entry into the WTO depends on successful completion of the multilateral phase of accession negotiations that are currently underway. China's membership would be of great significance for the future of the international trading system for several reasons. *First*, the terms of its admission will serve as a template for a number of other transition economies that are seeking WTO membership, including Russia. Given the extraordinarily demanding conditions that the Chinese have accepted during the bilateral phase of WTO admission negotiations, the bar of entry conditions for new members has been set very high. *Second*, although China has taken important steps toward meeting some of its WTO obligations, the speed with which it is able to complete the process may disappoint some members of the organization.

[1] This statement is excerpted from *"China Economic Brief: Issues for the New Administration and Congress"* CSIS (Washington, D.C.) March 2001

Given the large volume of its international trade, there is a risk that trade conflicts involving China could overburden the dispute settlement capacity of the WTO. *Third*, China is likely to play a significant role in shaping the agenda for the next round of multilateral trade negotiations. As the first developing country to be one of the world's top 10 trading countries and a WTO member, China may become a forceful advocate in the next round for the interests of developing countries. *Finally*, China's entry is likely to require significant adjustments in the informal governance structures of the WTO. China has been critical of procedures and practices that give an unusual informal agenda-setting role for the so-called quad countries and has argued that the interests of developing countries are underrepresented in WTO decisionmaking. Thus it may seek adjustments in the informal governance structures of the organization.

IMPLICATIONS FOR THE U.S. TRADE DEFICIT WITH CHINA

China's entry into the WTO is not likely to reduce the bilateral trade deficit or eliminate trade friction with the United States for a number of reasons. *First*, the benefits of China's accession may have been oversold by an administration seeking authority to extend permanent normal trade relations (PNTR) to China to avoid being frozen out of the benefits of China's WTO commitments. Although the bilateral agreement between China and the United States, which will become part of China's multilateral commitments, does provide increased market opening, China's markets for merchandise are on average far more open than is commonly recognized. For example, by early 2001 China's average tariff rate had been cut to 15.3 percent, about half the level prevailing in India and roughly equivalent to tariffs in Brazil and Mexico. Moreover, 60 percent of all imports enter China under one of many import duty exemption programs. As a result, actual tariff collections in China are extremely modest—under 5 percent of the value of imports.

Similarly, import quotas and licensing requirements, which used to be pervasive, have been steadily reduced and by 2000 covered only 4 percent of all import commodities. Thus, although the lower tariff and nontariff barriers accompanying China's entry into the WTO will lead to a dramatic increase in U.S. exports of a few products that are now highly protected, the rate of expansion of our exports to China in the aggregate is not likely to accelerate dramatically.

Second, the agreement on China's WTO entry conditions does nothing to reduce the United States' overall trade deficit, which is determined by macroeconomic factors such as the national savings and investment rates. Until the savings rate rises, the investment rate falls, or the rate of expansion of the United States' economy declines (as has been the case since the middle of 2000), the overall trade deficit will remain large. In those circumstances it is inevitable that an appreciable fraction of investment in this country will be financed by foreign capital, including Chinese capital. Our global trade deficit is simply the mirror image of this large capital inflow. The ever-growing use of United States currency in many foreign countries also helps to finance the trade deficit.

Third, under the terms of its WTO accession agreement, China, like other developing-country textile and apparel producers, will benefit from the phaseout and elimination at the end of 2004 of quotas that historically have restricted international trade in these products. These quotas have artificially restricted China's apparel exports to the United States since the first bilateral textile agreement was signed in September 1980. Since China is a lower-cost producer than many other current suppliers of apparel to the United States, it almost certainly will displace at least some apparel exports from other countries as the restrictions are phased out. While total apparel imports into the United States may not rise significantly, the share originating in China almost certainly will. The result is that total U.S. imports from China will rise further as the restrictions on textile and apparel trade are liberalized.

Fourth, China will almost certainly continue to benefit from the relocation of industries from other production sites in Asia. In the 1980s and early 1990s, the industries were mostly concentrated in toys, footwear, and apparel. Starting in the early 1990s Taiwan began to move part of its computer component manufacturing capacity to China, which quickly became an important producer of motherboards, monitors, and other PC hardware. In the mid-1990s, China began to emerge as a significant production site for finished computers. By 2000, two-fifths of all Taiwanese PCs were made in China. The migration of production facilities from Taiwan to the mainland is so far advanced that China is expected to replace Taiwan as the world's third-largest manufacturer of information technology hardware in 2001. China is also making efforts to develop its software industry, but is relatively less advanced in this area than in technology hardware manufacturing.

The trends sketched above will almost certainly accelerate. Taiwanese companies are poised to begin to move their notebook computer and semiconductor production to China. Although Taiwanese government regulations now prohibit these investments in China, these regulations are almost certain to be modified once China and Taiwan are both members of the WTO. Japanese firms are following a similar pattern, with some delay. During much of the 1990s they curtailed their investment in China as a result of a general reduction in overseas investment and the perception of operating difficulties in China. But by the turn of the millennium Japanese investment in China was on the rise again as firms shifted production of consumer electronics and other products, particularly to southern China. As in the case of apparel, China is likely to displace alternative sources of supply with a resulting increase in U.S. imports from China.

As a result of these factors, it is unlikely that the imbalance in bilateral trade between China and the United States will diminish any time soon. Any policy approach to China that seeks to reduce the deficit through trade restrictions or administrative intervention seems almost certain to fail, at least in the short run. The good news is that an expansion of the bilateral trade deficit with China due to the displacement effect will be compensated by reduced deficits elsewhere in the world and not contribute to an expansion of the United States' global trade deficit. Whereas the bilateral trade deficit will need to be monitored, it is important to note that the United States may derive substantial nontrade benefits from greater participation in domestic distribution and service industries in China that WTO membership will make possible.

A further reason to anticipate continued trade friction is that China may not be able to fully implement all of its WTO obligations within the agreed time schedules. On the positive side, even before concluding its WTO negotiations, China had taken care of some of the commitments that it had made in bilateral negotiations with the United States in 1999 and with the European Union in 2000. For example, the government has already approved a deal allowing AT&T to acquire a 25-percent stake in a joint venture to provide broadband telecommunications services in Pudong, Shanghai, something it was not required to allow until after it entered the WTO. China also implemented reductions in tariffs on items covered by its commitment to participate in the WTO's Information Technology Agreement. Some of the tariff cuts made in early 2000 were not required until 2004 or 2005. China has also taken early steps to meet some of its commitments to liberalize foreign participation in audiovisual services, construction, retailing, legal services, and distribution services. To level the playing field for domestic and foreign firms operating in China, fiscal, financial, and regulatory agencies have begun the process of adjusting many rules and systems, as required under WTO rules.

Also on the positive side, China's legislative body, the National People's Congress, has already amended a number of important domestic laws covering patents, copyrights, trademarks, and foreign investment to make their provisions consistent with WTO commitments. Although these examples do not necessarily guarantee that China will be able to meet all of its commitments, they do suggest that the government is making a very substantial effort to comply with a broad range of its obligations and that it believes that further economic liberalization and opening up are essential to meeting its own long-term economic goals.

Despite these efforts, it would be extraordinary if China were able to implement all of its WTO commitments in every detail and on schedule. As part of the process of accession negotiations the Chinese government identified 177 domestic laws and regulations dealing with customs administration, the administration of foreign investment, intellectual property, and services that must be amended to insure consistency with WTO obligations. Although a start has been made, the work of revising all of these laws and getting them approved by the legislature is likely to take several years. It will take even longer to train the judges and develop the legal institutions and processes necessary to insure that these laws are fairly and impartially upheld and that legal judgments are enforced.

DEEPER INTEGRATION OF CHINA IN THE GLOBAL ECONOMY SERVES U.S. INTERESTS

Although trade friction between the United States and China will not be eliminated, there is little doubt that China's deepening integration in the world economy will serve several U.S. interests. *First*, it will serve our economic interests. China's commitment to liberalize the terms under which foreign firms can participate and invest in telecommunications, domestic distribution, financial services, the entertainment sector and many other services, creates significant opportunities in areas where American firms tend to be internationally competitive. During the 1990s, China was already the most rapidly growing large foreign market for U.S. exports

of goods and services. The trade and investment liberalization that China is committed to under WTO will increase our access to this market and enhance the prospect that the economic relationship will remain robust. Increased access for agricultural products and automobiles is likely to be particularly important for U.S. firms. In short, China can continue to contribute to the growth of our external trade and our economic welfare associated with trade. Because China is an efficient producer of a wide range of commodities, imports from that country may also contribute to low price inflation in the United States.

Second, successful integration in the global economy is likely to insure China's constructive participation in a new multilateral round of trade liberalization. China's leadership recognizes the actual and potential benefits of increased globalization and has even gone so far as to suggest the formation of a free trade area with the Association of Southeast Asian Nations (ASEAN) that would also comprise Japan and South Korea. A proposal of this kind coming from China would have been unthinkable even a few years ago. Should such a trade block eventually materialize, it seems likely that Taiwan would be part of it.

Third, deeper integration, and the concomitant acceleration of domestic economic reform, also increases the likelihood that China will be able to meet the expectations of its population of 1.3 billion for improved living standards. An economically failing China, by contrast, would lead to regional instability and impose substantial costs on the United States and the rest of the world.

Fourth, the implications of rising living standards within an increasingly marketized economy are overwhelmingly favorable to the development of a more pluralistic social and political system in China. As was true in the case of Taiwan, South Korea, and Thailand, a rapidly modernizing economy is at some point likely to generate effective pressure for political change, away from authoritarian rule. In the case of Taiwan, it took almost four decades of rapid growth between the time popular elections for county and city officials were introduced in 1950 and the time martial law was lifted and opposition parties legalized. Another decade elapsed before the first national popular election for president. Although China has been conducting popular elections at the village level for more than a decade, a long period of sustained economic growth and stability will probably be required before a more pluralistic political system begins to emerge.

IMPLICATIONS FOR U.S. POLICY

Given our long-term trade and investment interests and the linkage between economic and political change that has been demonstrated in other countries in East Asia, what are the implications for U.S. economic policy toward China? *First*, policies that have given rise to the perception in China that the United States seeks to delay or even block China's emergence as a major economic power must be abandoned. That means the new administration should drop the more than a decade old sanctions that remain in place as a legacy from the Tiananmen crisis of 1989. These include, inter alia, the requirement that the U.S. director on the Executive Board of the World Bank vote against or abstain from all China loans that are not strictly for basic human needs and the selective withholding of Export-Import Bank loans and credit guarantees for noneconomic or nonsecurity reasons. For several years the United States has been the only country in the world still imposing such sanctions. U.S. opposition to China loans from the World Bank does not block such loans and under a waiver program some loans from the Export-Import Bank have gone forward. These sanctions are therefore largely symbolic. They send an incorrect message that the United States seeks to delay or block the emergence of China as a major economic power.

Second, the United States ought not to remain the only advanced industrial country that has no systematic technical assistance program to help the Chinese government meet its WTO obligations. Japan, Australia, Canada, and the European Union, as well as many other member countries, provide assistance ranging from training government officials to providing WTO-related legal assistance. Although the Ford Foundation has funded some WTO-related legal training programs in the United States, the U.S. government has never funded the rule of law program that was announced with such fanfare by President Clinton in 1997 at the time of his summit meeting in Washington with President Jiang Zemin. Similarly, a number of departmental technical cooperation programs with China remain underfunded. The absence of a well-functioning government program of technical assistance on WTO-related issues feeds the impression in China that the United States is more interested in imposing tough conditions than in assisting China's historic transformation.

Third, the United States should be very judicious in applying the highly protectionist features that we insisted China agree to as a condition for WTO membership.

For example, under the product-specific safeguard included in the bilateral agreement of November 1999, the United States will have the option of imposing unilateral restrictions on imports from China under conditions that no other member of the WTO has ever been required to accept. Moreover, these conditions are relatively easy to meet and restrictions based on them can be directed solely against imports from China. Under normal WTO safeguard arrangements, if conditions for their use are met, restrictions must be imposed proportionately on all supplying countries. Since the product-specific safeguard conflicts with the most fundamental WTO principle of equal treatment for all countries, the United States should only invoke this instrument against China under extraordinary circumstances.

Similarly, China has agreed to be subject to a special textile safeguard that allows the United States to impose unilateral restrictions on the import of Chinese textiles and apparel for a period of four years after the current quota system is phased out. During the period 2005–2008, China will be the only member of the WTO potentially subject to quota restrictions on its textile and apparel products.

If either of these two safeguards is invoked by the United States under conditions that are perceived to be based on pressures from industries that claim to be adversely affected by imports from China without clear evidence of injury to their firm, it would probably undermine support for the WTO within China and probably among other WTO members as well. That, in turn, would complicate, if not effectively terminate, efforts by the United States to launch a new round of multilateral trade negotiations.

Mr. LEACH. Well, thank you, Professor Lardy.

Professor Fewsmith.

STATEMENT OF JOSEPH FEWSMITH, PROFESSOR, DEPARTMENT OF INTERNATIONAL RELATIONS, BOSTON UNIVERSITY

Mr. FEWSMITH. Thank you, Chairman Leach. I do appreciate——

Mr. LEACH. Please, if you could press your button and hold the button.

Mr. FEWSMITH. Yes.

Mr. LEACH. Thank you.

Mr. FEWSMITH. Thank you. I appreciate the opportunity to come down to Washington and appear before you this morning.

I have been specifically asked to address some of the issues of domestic Chinese politics, including that of nationalism, and I would like to frame this broadly under the rubrics of political change and nationalism.

It is often said that China has had economic reform without political reform. Like many generalizations, this one contains a core of truth, but it also blinds us to real and important changes that have been taking place and will continue to take place. It is simply not true that one either has political reform or one does not.

It is worth recalling that when I first went to Taiwan as a student in the 1970's, Taiwan was under marshall law. The security presence on the streets was extremely palpable. And yet it was obvious even then that the economic changes that were underway in Taiwan were preparing the way for the transition to democracy that we so rightly herald today. I do not want to make direct comparisons, but neither do I want to neglect those comparisons.

There is no doubt that many of the core elements of the old Leninist Party State remain in place in China, but around this core there have been many change which have changed the way the system operates and which are increasingly challenging it to continue to change. Perhaps the most important change has been in the composition and legitimacy of the political leadership.

China's elite began to change dramatically in the 1980's as aging bureaucrats began to retire and be replaced by younger and better trained people. By the last 1980's there were dramatic changes in the composition of the bureaucracy. These have moved toward the top of the regime these days. Revolutionary cadres had been replaced by technocrats.

This process of promoting technocrats and implementing such procedural norms as retirement processes and so forth is something that we refer to institutionalization. It is not a simple or short-term process, but as the literature on democratization points out it is critical in the creation of what is called a "usable bureaucracy," and it is important not only for the transition to democracy but more importantly, in my opinion, for the consolidation of democracy.

Another major change in the Chinese party state has been the decentralization and diversification of the economy which Professor Lardy has referred to a bit. China is simply a much larger and more complex society today than it was a decade ago. There has been an impressive growth in the private sector. Just checking the official statistics recently, as of the end of 1998, there are now nearly 90 million people working in the private sector in China. This is all new over a matter of a decade. The official figures, I think, underestimate the degree of change.

These are changes that have been occurring at a very rapid rate so the long-term impact is uncertain, but the likelihood of such enormous changes affecting the political system in a positive direction strike me as very high.

A third area in which there has been very considerable change is in the range of permissible expression. We all know that China is intolerant of political speech, especially speech that directly challenges the government. Nevertheless, there is no question in my mind that the range of speech today is far greater than at any time in the history of the People's Republic China, including the so-called "high tide" of reform in the last 1980's.

Any search of the bookstores will reveal a wide range of opinion. I recommend you all go to the six-story main bookstore in central Beijing. It would boggle your minds. It is bigger than Barnes & Noble, and you have a range of newspapers, journals, academic books that discuss many economic, social and political difficulties facing the country. There are limits on the views that can be expressed, but many of these publications have worked to expand those limits.

One growth area has been in the expression of nationalism. A number of public popular books that you are familiar with such as *China Can Say No, Behind the Demonization of China, China's Route Under the Shadow of Globalization*, and so forth have been published. *China Can Say No* reportedly sold some two million copies, and according to one public opinion survey was the most influential book of the 1990's. The Internet has become filled with discussions of nationalism, among other things.

The good news is the political speech has opened up to a considerable extent. The bad news is that much of what we hear is nationalistic discourse. Some argue that the nationalistic expressions are simply whipped up and manipulated by the government. There is no doubt that the government uses nationalism to enhance its

legitimacy, but the truth is far more complicated than usually understood.

Nationalism is one tendency of the 1990's that was completely unanticipated by our commentators in this country a decade ago.

Where did this nationalism come from? How do we explain it?

First of all, I think you need to look at nationalism as occurring on two distinct levels: the elite level and the popular level. At the elite level nationalism is no surprise. In the civilian bureaucracy nationalism is often expressed by those upholders of the traditional understandings of Marxism, Leninism. These are the people that have been losing out in the course of reform and it is expected that they will protest change. This group is joined by at least parts of the military.

Again, it comes as no surprise to find that the Chinese military is highly nationalistic. After all, these are the guardians of Chinese sovereignty and many believe that the United States is out to bully China.

If such elite nationalism is an expected, if sometimes disturbing aspect of China's transition, popular nationalism is quite different. Although there are sometimes links between elite and popular nationalism, one cannot explain the latter by the existence or manipulation of the former. Many nationalists are young and well educated, some spent years studying in the United States, and indeed many still live here. How is it that they came to their nationalist beliefs? Let me list three basic reasons.

First and foremost, although China's economic reforms have raised living standards and aggregate GNP, they have been accompanied by a considerable social dislocation, especially in the 1990. In the 1980's, reform was more or less benefitted everyone. In the 1990's, there have been clear winners and losers. The losers have included those living in the vast reaches of China's hinterland and rural residents in general. The wages of China's farmers today are only one-fifth those of urban dwellers, and those in the prosperous east coast do much better than those in the central and western areas of the country. In the cities, workers have fallen behind.

In contrast, some people have done very well indeed in the course of reform. It is said that there are now well over a million millionaires in China, a figure unimaginable just a few years ago.

Only a decade ago China was one of the most egalitarian societies in the world. Today it is one of the least. The explanation for this rapid growth of inequality is not always that some people are smarter and work harder. Unfortunately, political connections and corruption account for a lot of the change, and that willingness to use political connections and engage in corruption reflects a palpable decline in public morality. In some ways contemporary China resembles the Industrial Revolution as depicted by Charles Dickens.

Many find these changes extremely disconcerting. The loss of any sort of public morality is contrasted to the strong, if misbegotten, ethos of the Mao years which are now often mythologized. The importation of so-called Western values, including capitalism, is often seen in identity terms, that is, as a loss of Chineseness.

In the 1980's, liberal intellectuals used to call for a greater market economic forces and political liberalization. Today, young intel-

lectuals, or at least I should say many young intellectuals reply in effect, "We tried it your way and it didn't work. Now let's try something different." In other words, the market dislocations of the 1990's have invoked a backlash against some aspects of neo-classical economics.

I should say this is not in the economics or business community. I agree with Nick on the importance of the economic transition.

Second, Chinese opinions of economic and political reform have been strongly influenced by the example of the former Soviet Union. As viewed from China, the Soviet Union, after largely accepting American urgings for political democracy and rapid privatization, went from a superpower able to contend with the United States to 15 separate and weak states with declining living standards and shorter life expectancies, and, and I should say, with an expanded NATO near their borders.

The lesson for China, or at least for many young nationalists is: Do not listen to the United States. It is often said that the economic reforms succeeded in the 1980 because they did not listen to the United States. They did not engage in rapid economic reform. They followed the course as they call it of crossing the river by following the stones, a process of economic incrementalism. Rapid change such as many commentators in this country call for is often seen in China as a recipe for disaster.

Finally, throughout most of the 1990's, Sino-U.S. relations have been tense. This started in the immediate aftermath of Tiananmen, but it was only with the U.S. opposition to China's bid to host the Olympics in the year 2000 that one sensed the rise of anti-American feelings among the broader population. That opposition more than any other single event convinced the Chinese people that the United States was not opposed to the Chinese government but was opposed to the Chinese people.

That impression was deepened shortly thereafter when the United States Government stopped a Chinese ship, the Yin He, or Milky Way, as it was entering the Persian Gulf. We believed the ship, which was headed for Iran, was bearing chemicals that could be used in the making of chemical weapons. When it was inspected, it was found not to be carrying such chemicals. This incident has been repeatedly cited as a case of international bullying by the United States.

There have also been repeated and virulent denunciations of human rights conditions in China. There are indeed violations of human rights in China, and most Chinese will admit this quite readily, but most also believe that the human rights conditions in China are improving gradually, and that only a gradual improvement of the economic, legal and political system can bring about the improvements that all would like to see.

Nationalists go further and argue that the United States is not interested in the improvement of human rights in China, but rather simply using the issue to hold China down.

Let me make one final point about the nature of Chinese nationalism, and that is, while it is sometimes supported by the government and supportive of the government, this is fundamentally a populist movement, and hence it is sharply critical of the government. Indeed, the criticism of Chinese nationalists, which might

sound strange to those of you who live in Washington, is that the Chinese government is far too weak in its dealings with the United States, including what they see as the early release of the American crew.

I am trying to report their views, not insert my own views. Please let me be clear there.

Nationalists see the Chinese governmental and intellectual elite as selling out China's interests out of their own personal interests either because doing so will advance their careers or allow them to become wealthy through business and/or corruption.

This last point raises one further issue that is of critical importance. Confrontation is good for nationalism in China. Last year during the debate over PNTR many were worried that giving up the annual approval of MFN, later known as NTR, would be giving up leverage over China's human rights situation. The problem was that this so-called leverage was in fact negative leverage. As mentioned above, this was one of the issues that contributed to Chinese nationalism.

The danger that the United States faces is that in trying to bring about a more democratic China we in fact often create a more hostile one. The problem, as suggested above, is not just that international tension reenforces popular nationalism, but that those members of the political elite, both civilian and military who are most opposed to various types of reform, are strengthened.

The fact of the matter is that a tense relationship between the United States and China inevitably weakens those we should be trying to support and strengthens those we should try to weaken. This makes devising policy difficult and sometimes unsatisfying, but I think it is the truth that we, or should I say specifically you, must face.

Thank you.

[The prepared statement of Mr. Fewsmith follows:]

PREPARED STATEMENT OF JOSEPH FEWSMITH, PROFESSOR, DEPARTMENT OF INTERNATIONAL RELATIONS, BOSTON UNIVERSITY

I have been asked today to address some of the issues of Chinese domestic politics, including that of nationalism, that may help in understanding and interpreting trends in the People's Republic of China. I believe that there are at least two broad issues that need to be addressed. The first is the ways in which the Chinese political system is changing, and the other is the rise of nationalism.

It is often said that China has had economic reform without political reform. Like many generalizations, this one contains a core of truth, but it also blinds us to real and important changes that have been taking place and will continue to take place. It is simply not true that one either has political reform or one does not. Political change is not an all or nothing proposition, as any glance across the globe will verify. Many democracies function well; some do not. Some authoritarian regimes are well on their way to democratic breakthrough, others a long way from and such change, and still others in between. It is worth recalling that when I first went to Taiwan as a student in the mid-1970s, Taiwan was still under martial law and the security presence on the streets was extremely palpable. But it was apparent even at that time that economic development and social diversification were challenging an authoritarian system. Those changes produced the democratic breakthrough that we now justly herald. But let us not forget that it was a long and difficult struggle. One cannot make simple comparisons between China and Taiwan, which differ in history, political evolution, and, most of all, size. But neither should the Taiwan example be dismissed as irrelevant to understanding the contemporary evolution of the People's Republic.

There is no doubt that many of the core elements of the old Leninist party-state remain in place in China, but around this core there have been many changes which

have changed the way the system operates and which are increasingly challenging it to continue to change. Perhaps the most important change is in the composition and legitimacy of the political leadership. One of the legacies of the Chinese revolution was that a single generation dominated the political system between 1949 and the mid-1990s. Deng Xiaoping liked to call himself the "core" of the "second generation" of leadership, but he was only ten years younger than Mao Zedong, and, like Mao, a veteran of the Long March. He differed from Mao in his approach to economic development and foreign policy, but he was still part of the revolutionary generation and drew legitimacy from it.

China's elite began to change dramatically in the 1980s as aging bureaucrats began to retire and be replaced by younger, and better trained, people. By the late 1980s there were dramatic changes in the composition of the bureaucracy. Revolutionary cadres had been replaced by technocrats.[1] In the 1990s, this change finally reached the top of the political system. Many key members of the political elite succumbed to old age in the early to mid-1990s, with Deng Xiaoping following in February 1997. As the revolutionary old guard passed from the scene, a new technocratic generation succeeded to power. Although the leaders of this group—Jiang Zemin, Li Peng, and Zhu Rongji—are now in their mid 70s, there are many younger, very well trained and pragmatic leaders who are already in important positions in the provinces and central bureaucracy and waiting their turn for power at the top of the system.[2]

As this leadership change has taken place, there has been a necessary change in the criteria for promotion. One can no longer point to one's revolutionary accomplishments to justify retaining power; one must point to accomplishments in running large and important administrative areas (remember that most of China's provinces are larger than European countries) and in developing the economy. In other words, much greater emphasis is placed on expertise. At the same time, the retirement system has gradually been put in place. Although there remains ambiguity about retirement at the highest levels of the system, now there is general acceptance that most people must retire at the age of 70. Jiang Zemin is now 74, and thus is expected to retire as general secretary at the Sixteenth Party Congress in 2002, although he may continue to retain influence after that (particularly if, as expected, he retains his position as head of the Central Military Commission).

This process of promoting technocrats and implementing procedural norms such as retirement is known as institutionalization. It is not a simple or short-term process, but as the literature on democratization points out, it is critical in the creation of what Juan Linz and Alfred Stepan call a "usable bureaucracy" and important for the consolidation of democratic regimes.[3]

Another major change in the Chinese party-state has been the decentralization and diversification of the economy. China is simply a much larger and more complex society than it was even a decade ago. It has been useful and necessary to delegate many decisions to local areas and to local enterprises. In recent years, there has been an effort to regain some control over this process by reforming the tax system. The tax system that China put in place in 1994 gives China the first modern tax system in its long history. There have been many problems implementing it, but it is a necessary and important step in creating an economy run more through macroeconomic tools than administrative fiat. At the same time, the central government has been working to reduce the number of state-owned enterprises under its purview and to make those enterprises more economically efficient. This process has involved selling off large numbers of state-owned enterprises (SOEs) and reducing the size of the workforce. Over the last four years, some 25 million workers have been laid off. Just as important, the restructuring of the state bureaucracy carried out in 1998 reduced the nine industrial ministries to bureaus subordinate to the State Economic and Trade Commission and removed the previously powerful State Planning Commission from direct control of the economy. Last year, Premier Zhu Rongji went further and eliminated the nine industrial bureaus. The shift toward macro-economic management has been palpable.

At the same time there has been an impressive growth of the private sector. As Table I below indicates, as of the end of 1998 there were nearly 90 million people working in the private sector. And those are the official figures, which no doubt understate the reality. In addition, in recent years a large percentage of township and

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[1] Hong Yong Lee, *From Revolutionary Cadres to Party Technocrats in Socialist China* (Berkeley and Los Angeles: University of California Press, 1991).

[2] Cheng Li, *China's Leadership* (Roman and Littlefield, 2001).

[3] Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe.* (Baltimore: Johns Hopkins University Press, 1996).

village enterprises (TVEs) have been privatized, so a substantial number of the approximately 125 million workers in TVEs now work in private enterprises. These changes have been occurring at a rapid rate in the past few years, so the long-range impact is uncertain. But the likelihood of such enormous changes affecting the political system in a positive direction is very high.

TABLE I—Growth of the Non-State Economy

	Private (in millions)	individual (in millions)	foreign (in millions)	Taiwan, HK, Macao (in millions)	Total (in millions)	percent increase
1989	1.64	19.4	0.47	n/a	21.51	
1990	1.70	21.0	0.66	n/a	23.35	8.6
1991	1.84	23.1	1.65	n/a	26.59	13.9
1992	2.23	24.7	2.21	n/a	29.14	9.6
1993	3.73	29.4	2.28	1.55	36.46	25.1
1994	6.48	37.8	4.06	2.11	50.45	38.4
1995	9.56	46.1	5.13	2.41	63.2	25.3
1996	11.7	50.2	5.40	2.65	69.95	10.7
1997	13.5	54.4	5.81	2.81	76.52	9.4
1998	17.1	61.1	5.87	2.94	87.01	13.7

Sources: *Zhongguo siying qiye fazhan baogao (1999)* (Beijing: Shehui kexue wenxian chubanshe, 2000), p. 33; and *Zhongguo laodong tongji nianjian* (Beijing, Zhongguo laodong chubanshe, various years)

Another area in which there has been very considerable change is the range of permissible expression. We all know that China is intolerant of political speech, especially speech that directly challenges the government. Nevertheless, there is no question in my mind that the range of speech is greater today than at any time in the history of the PRC, including the heyday of reform in the late 1980s. This goes through cycles, but the upward trend is unmistakable. Much of this range of expression relates to entertainment. In the early 1980s, the campaign against so-called "spiritual pollution" targeted such things as rock music as unacceptable expressions of "bourgeois liberalization." Today, for better or worse, rock and other forms of popular music are everywhere. Literature has become distinctly less high brow as authors have found fame and fortune by reaching out to popular audiences. Commercialism is in.

But the range of expression goes well beyond popular literature and music. There are a wide range of newspapers, journals, and academic books that discuss the many economic, social, and political difficulties facing the country. There are limits on the views that can be expressed, but many of these publications have worked to expand those limits. Indeed, precisely because there are so many difficult problems that need to be resolved, researchers are generally allowed wide berth to conduct research and publish their conclusions—as long as they do not directly challenge the political system.

One growth area has been in the expression of nationalism. It used to be that foreign policy was simply off limits. For example, in the 1980s the annual "government work report" presented by the premier to the National People's Congress would be discussed and changed (within limits) by delegates to the congress, but when it got to the section on foreign policy, not one comma was changed. Books and articles on foreign policy all reflected official views.

Since the early 1990s this taboo on popular discussions of foreign policy has not only been broken, but smashed. A number of popular books, such as *China Can Say No, Behind the Demonization of China,* and *China's Route under the Shadow of Globalization* have been published. *China can Say No* reportedly sold some two million copies, and according to one public opinion survey was the most influential book of the 1990s. The Internet has become filled with discussions of nationalism, among other things. The good news is that political speech has opened up to some extent; the bad news is that much of what we hear is nationalistic discourse. Some argue that nationalistic expressions are simply whipped up and manipulated by the government. There is no doubt that the government uses nationalism to enhance its legitimacy, but the truth is far more complicated than usually understood.

Nationalism is one tendency of the 1990s that was completely unanticipated by commentators in this country. We had grown used to Chinese students and intellectuals reaching out to the United States as an example of freedom and prosperity, and now we are taken aback when many students and intellectuals criticize the

United States, sometimes in extremely harsh language. Where did this nationalism come from? How do we explain it?

First of all, I think one must look at nationalism as existing on at least two separate levels, the elite level and the popular level. At the elite level, nationalism is no surprise. In the civilian bureaucracy, nationalism is often expressed by the upholders of traditional understandings of Marxism-Leninism. These are people who have been losing out in the course of reform, and it is expected that they protest change. The impact of this group should not be underestimated. They often represent substantial parts of the Chinese Communist Party and even the interests of laid-off (or threatened) workers. Their influence has been declining in the 1990s, but events like the bombing of the Chinese embassy in Belgrade and the recent incident off Hainan island bring a quick, if temporary, revival of their fortunes.

This group, again at the elite level, is joined by the military, or at least a substantial part of it. It comes as no surprise to find the Chinese military highly nationalistic. They are the guardians of Chinese sovereignty, and many believe that the United States is out to bully China. Moreover, despite double digit increases in the military budget in recent years, the military has been losing out in various areas in recent years. The military no longer has a representative on the Politburo Standing Committee. The government has demanded that it get out of business, and recent corruption scandals have tainted the reputation of the military. (The largest scandals have involved smuggling, and only the military has the ability to smuggle on a large scale.) As with the civilian old guard, nationalism expresses the beliefs and interests of the military.

If such elite nationalism is an expected, if sometimes disturbing, aspect of China's transition, popular nationalism is quite different. Although there are sometimes links between elite and popular nationalism, one cannot explain the latter by the existence or manipulation of the former. Many nationalists are young and well educated; some spent years studying in the United States, and indeed many still live here. How is it that they came to their nationalistic beliefs? There are three basic reasons, and they illustrate the way in which domestic trends in Chinese society merge with international trends to produce these beliefs.

First and foremost, although China's economic reforms have raised living standards and aggregate GNP, they have been accompanied by considerable social dislocation, especially in the 1990s. In the 1980s, reform more or less benefited every one; in the 1990s, there have been clear winners and losers. The losers have included those living in the vast reaches of China's hinterland and rural residents in general. The wages of China's farmers today are only one-fifth those of urban dwellers, and those in the prosperous east coast do much better than those in the central and western areas of the country. In the cities, workers have fallen behind. It was mentioned earlier that 25 million SOE employees have been laid off in the last four years. At the same time urban collectives have laid off some 43% of their workers, reducing employment in that sector from 30 million to 17 million. Some parts of the country, like the Northeast, have been especially hard hit. The Northeast is an old industrial area, the rust belt of China, and unemployment rates there are said to run as high as 25 percent. At the same time, rural incomes in the Northeast fell in 1999.

In contrast, some people have done very well in the course of reform. It is said that there are now over a million millionaires in China, a figure unimaginable just a few years ago. Any trip through a modern city such as Beijing, Shanghai, or Guangzhou will reveal restaurants, entertainment, and luxury cars that simply did not exist a few years ago. Only a decade ago, China was one of the most equalitarian societies in the world; today it is one of the least. The explanation for this rapid growth of inequality is not always that some people are smarter and work harder. Unfortunately, political connections and corruption account for a lot of the change. And that willingness to use political connections and engage in corruption reflects a palpable decline in public morality. In some ways, contemporary China resembles the industrial revolution as depicted by Charles Dickens. Critics refer to "primitive socialist accumulation" in mockery of the old Marxist category of "primitive capitalist accumulation."

Many find these changes extremely disconcerting. The loss of any sort of public morality is contrasted to the strong (if misbegotten) ethos of the Mao years (often mythologized). The importation of so-called Western values (capitalism) is often seen in identity terms, that is, as the loss of Chineseness. In the 1980s, liberal intellectuals used to call for greater market economic forces and political liberalization; today young intellectuals reply, in effect, "we tried it your way and it didn't work. Now let's try something different." In other words, the market dislocations of the 1990s have invoked a backlash against neoclassical economics. For the most part, of course, such intellectual ruminations are not a powerful political force, but they

lay a foundation for popular nationalism that finds expression in times of international tensions.

Second, Chinese opinions of economic and political reform have been strongly influenced by the example of the former Soviet Union. As viewed from China, the Soviet Union, after largely accepting American urgings for political democracy and privatization, went from a superpower to 15 separate states with declining living standards and lower life expectancies—and with an expanded NATO near their borders. The lesson for China is, first, don't listen to the United States, and, second, adopt incrementalism. China's reforms were successful in the 1980s, it is often said, because they did not follow the advice of Western economists. Instead, they did what they could within the parameters of their own economic, political, and social system. They "crossed the river by following the stones." Although many are dissatisfied with the outcome of reform in the 1990s, they blame corruption, not incrementalism. Rapid change, such as some commentators in this country call for, is often seen in China as a recipe for disaster.

Finally, throughout most of the 1990s, Sino-U.S. relations have been tense. This started in the immediate aftermath of Tiananmen, but it was only with the U.S. opposition to China's bid to host the Olympics in the year 2000 that one sensed the rise of anti-American feeling among the broader population. That opposition, more than any single event, convinced the Chinese people that the United States was not opposed to the Chinese government but simply opposed to the Chinese people. That impression was deepened shortly thereafter when the United States government stopped a Chinese ship, the *Yin He*, as it was entering the Persian Gulf. We believed the ship, which was headed for Iran, was bearing chemicals that could be used in the making of chemical weapons. When it was inspected, it was found not to be carrying such chemicals. This incident has been widely cited as a case of international bullying by the United States.

There have also been the repeated and virulent denunciations of human rights conditions in China. There are indeed violations of human rights in China, and most Chinese will admit this quite readily. But most also believe that the human rights situation is gradually improving, and that only a gradual improvement of the economic, legal, and political system can bring about the improvements that all would like to see. Nationalists would go further and argue that the United States is not interested in an improvement in human rights in China but only in using the issue to hold China down. As one influential nationalist wrote, "I have never believed that the United States is really all that concerned with the human rights of the Chinese people. I also find it hard to believe that the pragmatic American people are willing to spend that much capital to surround us because we believe in Marxism. The reason that the United States does not like us is because we are strong; we have the possibility of developing, and then could be an obstacle to America's special place in the world."[4]

Needless to say, other incidents, including the Taiwan Straits crisis of 1995–1996, the bombing of the Chinese embassy in 1999, and the recent air collision off Hainan island have fed such sentiments.

One other point needs to be made about Chinese popular nationalism. While it sometimes is supportive of the government (and is supported by the government, or at least parts of it), this nationalism is basically populist and hence sharply critical of the government. Indeed, the criticism of Chinese nationalists, which might sound strange to the ears of those living in Washington, is that the Chinese government is far too weak in its dealings with the United States. Nationalists see the Chinese governmental and intellectual elite as selling out China's interests out of their own personal interests, either because it will advance their careers or allow them to become wealthy through business and/or corruption. The nationalist just cited, for instance, depicts Chinese liberals, as lapdogs, saying that they "support the United States, support everything about the United States."[5]

This last point raises one further issue that is of critical importance: Confrontation is good for nationalism. Last year, during the debate over PNTR, many were worried that giving up the annual approval of MFN (later NTR) would be giving up leverage over China's human rights situation. The problem was that this so-called leverage was, in fact, negative leverage. As mentioned above, this was one of the issues that contributed to Chinese nationalism. The danger that the United States faces is that in trying to bring about a more democratic China, we in fact create a more hostile one. The problem, as suggested above, is not just that inter-

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[4] Wang Xiaodong [Shi Zhong, psued.], "Weilai de Chongtu" (The coming clash), *Zhanlue yu guanli*, no. 1 (November 1993):46–50.

[5] Wang Xiaodong, *Quanqiuhua yinyingzhixia Zhongguo zhilu* (China's road under the shadow of Globalization) (Beijing: Shehui kexue chubanshe, 1999), p. 21.

national tension reinforces popular nationalism but that those members of the political elite, both civilian and military, who are most opposed to various types of reform are strengthened. The fact of the matter is that a tense relationship between the United States and China inevitably weakens those we should be trying to support and strengthens those we should be trying to undermine. This makes devising policy difficult and sometimes unsatisfying, but it is a truth that we must face more squarely than we have.

The conclusion is that China is in the middle of a complex transition that is necessarily messy. Negative trends and events coexist with positive trends and events. There is no reason to believe that China will solve its problems (economic, social, or political) in a short period of time. On the contrary, there will be real difficulties in Chinese society, particularly as China experiences further dislocations associated with its entry into the WTO. This does not mean that progress is not being made; it simply means that there is a very long way to go. It is difficult to counsel patience at a time when passions are aroused over an incident such as we have recently experienced off of Hainan Island. Yet understanding of the enormity of China's transition requires appreciation of the time it will take. Patience, of course, does not mean acquiescence. The United States can and should set out expectations, as it has in its negotiations over China's accession to the WTO and other issues. But demands that China change immediately, or worse, efforts to "contain" China will clearly invoke a nationalistic backlash in China that will only make its transition more difficult, more costly, and more dangerous for the United States and the countries in the region.

Mr. LEACH. Well, thank you very much, Professor.

Mr. ACKERMAN. Mr. Chairman. Mr. Chairman.

Mr. LEACH. Yes, of course.

Mr. ACKERMAN. If I might speak for 1 minute out of turn.

Mr. LEACH. Sir, you are——

Mr. ACKERMAN. Thank you, Mr. Chairman.

Mr. LEACH [continuing]. An extraordinary Member of this Committee and you may speak for 1 minute out of turn.

Mr. ACKERMAN. Mr. Chairman, before your service as Chairman of this Committee and before that of Mr. Bereuter's and before that of myself, and even before that a former Member of Congress, Steve Solarz, there was a very distinguished Member of the House of Representatives who served as Chairman of this very Committee, and I am remiss in not having realized that he is sitting very inconspicuously in the group of spectators that we have today, the former Chairman of the Asia Subcommittee, and indeed the author of the Taiwan Relations Act, former Member Lester Wolfe. I just wanted to acknowledge that for the Committee.

Mr. LEACH. I think that is very appropriate, and Lester, you are welcome, and we are always happy to see you, sir.

Mr. ACKERMAN. Thank you.

Mr. LEACH. Thank you, sir.

Let me turn first to Professor Fewsmith very briefly, and just to repeat several sentences. Professor Fewsmith said throughout most of the nineties Sino-U.S. relations have been tense, but it is only with U.S. opposition to China's bid to host the Olympics the year 2000 that one sensed the rise of anti-American feeling among the broader population.

That opposition, that is, to the Olympics, more than any single event convinced the Chinese people that the United States was not opposed to the Chinese government but simply opposed to the Chinese people.

This Administration has a view that we should engage China where we need to engage them and cooperate where we can cooper-

ate. I can think of no area where cooperation is more readily able than in the Olympics.

Do you believe if the United States Congress takes up a resolution next week to deny China the hosting rights of the Olympics that this will helpful or hurtful in our relations with China?

Mr. FEWSMITH. I believed then and I believe now that hosting the Olympics in China for Chinese people would be a celebration of their, if you will, coming of age in the international world; that this is a good gesture. I would even go further and suggest that some of the Olympic events be held in Taiwan.

Mr. LEACH. Let me just say, I think that is a fine suggestion, there will be a difference of judgment reflected on the floor on this issue, but speaking very personally I can think of nothing more appropriate than keeping the Olympics above politics, and nothing that is more respectful of culture than issues like the rule-based Olympic games, and that I think we ought to keep culture and strategic policy a bit separate. And efforts to tie the two—I use the term negative leveraging, but I think are just simply counterproductive.

Would you agree with that?

Mr. FEWSMITH. I could not agree with you more, Mr. Leach.

Mr. LEACH. Professor Lardy, would you have a position on the Olympics?

Mr. LARDY. I agree fully. I think we ought to leave this decision up to the IOC, if China can meet their requirements, whatever they are that apply to all countries and they want to vote for China, I think they ought to make the decision in their normal process. I agree, we ought to keep the cultural dimension and the other dimensions of the relationship separate.

Mr. LEACH. Professor Shambaugh?

Mr. SHAMBAUGH. I simply reiterate what Professor Lardy just said word for word.

Mr. LEACH. Well, I would just like to conclude on the Olympic subject with the note that that is the position of the State Department and the Bush Administration as well. I hope when this comes up that Congress takes a cautionary stance.

Let me just turn to one other subject. We have had this awful plane incident. By background, when I once served briefly in the United States Foreign Service, and I did a—as a young foreign service officer—history series of papers on incidents-at-sea with the Soviet Union that were the background papers for talks in 1972 and 1973 on incidents-at-sea where Soviet ships had been harassing American and NATO vessels in the Mediterranean Sea of Japan and to some degree the Black Sea. And these talks led to formal agreements on rules of the road types of things to make instants of this nature less likely to occur.

In fact, in 1972, I believe, a Soviet hydrofoil craft collided with a British aircraft carrier in the Mediterranean and sunk, and this was a very sensitive sort of circumstance. And it struck me that there are analogies to this air instants in China.

Do you think discussions on incidents-at-air, attempting to come up with rules of the road, in fact, in terms of how military planes interact with each other would be helpful at this time? Do you think China could participate constructively in such talks?

Let me begin with Professor Shambaugh.

Mr. SHAMBAUGH. Congressman, I think you are quite right to invoke your own experience with the incidents-at-sea with the Soviet Union. Indeed, it was an incident-at-sea with China in 1996, I believe, or 1997, in the Sea of Japan in which our aircraft carrier battle group Kitty Hawk was being shadowed by Chinese submarines, and dispatched its own aircraft to "ping" them, and I am sure you recall what that term means.

Mr. LEACH. Yes.

Mr. SHAMBAUGH. To harass the Chinese submarines, which then returned to base.

Following that incident and coincidentally our current commander in chief of the Pacific forces, Admiral Blair, was then the commander of the Kitty Hawk. Following that incident both sides, at least the United States suggested to the Chinese side that we need to have a similar kind of agreement with China similar to the one that you worked on with the former Soviet Union, and that after 2 years of negotiation resulted in the creation of the Military Maritime Commission in 1998. It was signed by Secretary Cohen, I believe, on his—no, it was when former President Clinton went to China. At any rate that exists today, and it is very useful that it does.

But I would second your thought that we need an incident-at-air agreement as well, and we need rules of the road, as it were, for interception, Chinese interception of American aircraft in international airspace, and to establish communications channels between those aircraft, if necessary, and between our two governments, and even between our two military establishments, should something such as what we just experienced take place.

That is the major lesson that I take away from the EP–3 incident aside from the fact the Chinese are more aggressively intercepting, or first of all, are inexperienced at this. We did this with the Soviet Union off their coasts and they off of our coasts for years and years, and there was sort of a standard operating procedure involved. The Chinese are not experienced at this, and their pilots, as we have seen, can be quite reckless.

And so we need—they need to learn the kind of rules of the road of such intercepts, but we also need in place channels of communication and crisis management should something like this ever occur again, and I suspect that it might.

Mr. LEACH. Well, I appreciate that, and I am in full concurrence. In fact, in the retrospect of this I am impressed with how little military-to-military communication links had been established to discuss this on a timely basis, at least on a basis in which appropriate people on the other side could pick up a phone and be able to comment on a credible way.

Eni.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. And I do appreciate the gentleman from New York, Mr. Ackerman, raising the fact that we have Mr. Lester Wolfe, who served prominently as a former Chairman of this Subcommittee, with us today.

It is somewhat ironic, Mr. Chairman, that we had three New Yorkers who served as Chairmen of this Subcommittee, Steve Solarz, Lester Wolfe and Mr. Ackerman. There is a tremendous inter-

est in New York about the happenings in the Asia Pacific region and I commend them for that.

Mr. ACKERMAN. It is three Jewish guys who like Chinese food. [Laughter.]

Mr. FALEOMAVAEGA. Well, you know, ironically, Mr. Chairman, I remember when I first came as a Member of this Committee 13 years ago nobody wanted to be on the Asia Pacific Subcommittee.

Our focus, and I may be wrong in my humble opinion on this issue, Mr. Chairman, the whole mentality and focus in Washington was on the Middle East and Europe. That is the sense that I had from my colleagues here 13 years ago. Everything was about Europe and the Middle East and forget the rest of the world.

Well, aside from that, I do want to commend our good friend, Mr. Wolfe, for being here this morning. I also want to commend our noted experts on China, and I have a couple of questions I want to raise.

I may be wrong and I want you gentlemen to correct me, the Asia Pacific region happens to have two-thirds of the world's population. China and India alone account for over two billion people living on this planet. If we are looking at a six billion number that equates to the total population of this planet, this is something that perhaps we as policymakers here in Washington should recognize.

I do not think many Americans realize when the People's Republic of China was founded in 1949, there were over 400 million Chinese living at that time. Whether it is a communist regime or whatever, there were over 400 million people in China at the time. Now there are 1.3 billion people living in China, and I think we need perspective to look at the big picture, to be constructive in the process.

When we talk about the Asia Pacific region, Mr. Chairman, I think there is a sense of do not bother us with it, let us just not deal with the Asia Pacific, in my humble opinion, because I think we have had some very negative experiences in dealing with the Asia Pacific region. There are still remnants of negative feelings that we had when the Japanese bombed Pearl Harbor in 1941. There is still a lot of sentiment among the American people to look at anybody who is Oriental with mistrust because of what happened with the Japanese bombing of Pearl Harbor. I may be wrong on that, but there is a subtlety I sense.

Our experiences in Korea have not been positive in that we did not win the war in Korea, and to this day we are still having to deal with the legacy of that conflict.

The situation in Vietnam, with which I have had personal experience. I was just a grunt. I did not know what the heck I was doing there. I was one among half-a-million GIs who thought that maybe I was going to end up in a body bag. Over 58,000 soldiers were killed in that terrible conflict. So those perspectives were not positive.

Of the 10 largest armies in the world, I think five or six are in the Asia Pacific region. Our trade with the Asia Pacific region is twice that of Europe or any other region in the world.

So Mr Chairman, I want our experts to tell me if I am wrong in what I am looking at. We need to engage with the nations of the

Asia Pacific region, yet with all due respect to the Administration, I do not know if the Administration has even enlisted sufficient China experts. So far, most of the foreign policy experts focus on either Russia or Europe, or dealing in that for the Asia Pacific region, the Administration is still trying to get its act together, as far as getting people that really know what is happening in China and other areas of the region.

I would like to ask Professor Shambaugh, and I do appreciate his mentioning my good friend, Dr. Oksenberg, because he and I were very dear friends when he was president of the East-West Center, there is tremendous apprehension among the Asia Pacific nations that the United States may become isolationists and not remain involved with the affairs of the Asia Pacific region. The feeling from the discussions that I have had with Asian leaders is that this will leave a vacuum which the People's Republic of China and Japan will fill.

I wanted to ask Professor Shambaugh is that real or are we just imagining things? I sincerely hope that this Administration will not in anyway lessen our efforts to be proactive and to be engaged with not only China but throughout the whole Asia Pacific region. Professor Shambaugh, is that sense of concern real or is it just imaginary?

Mr. SHAMBAUGH. Well, thank you very much for your question. Actually, just thinking back to Professor Oksenberg, and I think it was when Mr. Ackerman chaired this Committee that he gave the testimony that I referred to earlier, just for the record, but commend you to read that.

No, I think you are entirely correct, sir, not just about your views of the importance of the Asia Pacific region in all these areas—trade, security, otherwise. It is the most important region to the United States today, and will grow to be even more so in the future. You are entirely correct there.

I think it is a little too early to say though that this Administration has not taken the region seriously enough. After all, they do not have their key people in place yet. They have not even yet nominated somebody for the assistant secretary of defense for the Asia Pacific. Hopefully, we will have an assistant secretary of state for Asia Pacific within a week or two. So it is a little too early to say that they are going to neglect Asia.

Indeed, the Pentagon review that Secretary Rumsfeld is overseeing on long-term goals for the American military apparently is going to take Asia much more seriously in that regard. But I would suggest that they do need to fashion a regional strategy. What the Administration has got to understand is how the pieces of the puzzle in Asia fit together rather than dealing with Asia in a series of bilateral disconcerted relationships, and that is one fear I have.

The second fear I have is the one that you mentioned; that they are—they have not appointed any China specialists to senior positions, and this is not coincidental, it is intentional, and it is, I think, very risky. At the National Security Council the top two Asian specialists are both Japan hands, Torkel Patterson and Michael Green. Jim Kelley, designated for assistant secretary of East Asia, is a true regionalist. I think he is perfect for that position.

He knows the entire region and complexities of it as well as anybody.

His deputy at present is a China specialist, but he is a foreign service officer, former ambassador who was in place at the end of the Clinton Administration, and could be replaced by the Bush Administration.

As I say, in DoD, we do not know yet who the people are going to be, and the treasury department, USTR, it is similarly unclear. But there has been, I think, just to close, during the campaign rhetoric and the writings of certain members of the current Administration, a clear desire to downgrade China's strategic importance in American foreign policy. That is a major mistake. And if they have not learned in the last 3 weeks that that is a mistake and that they need China expertise at the top of the Administration in all the departments, then they really have missed an important lesson.

So I think you are quite right to flag this issue now.

Mr. FALEOMAVAEGA. I know my time is up, Mr. Chairman. I will wait for the second round.

Thank you, Mr. Chairman.

Mr. LEACH. Mr. Issa, Issa, excuse me.

Mr. ISSA. Thank you, Mr. Chairman.

As promised, I will get back to more or less the same question. China will be a power, and I think you have done a great job of articulating that with or without our help, with or without our engagement, China will be, if not the number one power in the world economically and potentially militarily, certainly the number two. There is no question about the position that they will at least achieve of being the third largest economic power and probably the second largest economic power during a time in which I sit in this body. I fully expect that.

In terms of economic growth, I clearly believe China is on course. The ascendance to the WTO, if fully implemented, will take care of the part of the trade or much of the trade imbalance that exists today. I believe there are a lot of opportunities that we will enjoy. We certainly will not compete on the cost of labor so there will always be some tendency for them to do very well in low-cost labor for the foreseeable future.

That leaves the other side of the equation. Although I took your comments to heart, when we talked about succession and how organized they were getting, all I could think about was Mussolini, who made the trains run on time.

Yes, their government is getting better at governing, but my question to you is if they become a well organized, somewhat futile totalitarian dictatorship, that is a huge economic power and they remain paranoid because, in spite of being a large trading partner, there seems to be no change in—very much reminiscent of Russia or Soviet Union—this paranoia about the West. If that all remains in place, what should this body and the Administration now and in the future be doing not to engage further economically, clearly that is going well, but to engage to begin the process of perhaps fusing what we find good in our relations with Taiwan into the body of the rest of China that we find less successful?

And if you could concentrate on the non-economic part, I think it will do us a lot more good in this body because I personally think that economically, we are doing pretty well and we know how to do better. It is our relationship government to government and freedom to freedom that seems to be in jeopardy.

And candidly I will take all of your answers at this time. Yes, Professor?

Mr. FEWSMITH. I would be happy to, at least attempt to respond to that. I am not sure how well organized Mussolini's Italy was, but China is not very well organized.

Mr. ISSA. The trains do not run on time in China.

Mr. FEWSMITH. If I am suggesting that they are getting more organized, believe me, there is a long way to go. And one of the things I guess I react against is this notion of a totalitarian state. The Chinese state is enormous. There are so many different parts of it, at the center, at the province, at the county, at the township, at the village level. When you talk about the Chinese stage, boy, there are a lot of Chinese states out there, and they do not agree with each other at any level or between the different levels. So we are a long, long way from that sort of image, in my opinion.

Sometimes Beijing wishes it had that sort of control, but it doesn't have such an ability to order some of the provinces around.

On the question of engagement, I really do think that this is something that we tend to talk about how we can sanction China rather than how we can engage it. And I think that the positive side of this is very important. For instance, I am not familiar with the legislative details of this, but when you had the summit meeting between President Jiang Zemin and Clinton there was a legal reform initiative which to my understand remains unfunded.

Why should we not help them train lawyers, judges, things that will help bring about the rule of law? I think that that is a positive sort of thing.

I believe it is the Republican Leadership Institute—do I have the name right?—that has been engaged with the Carter Center in working on local elections in China. This is something—I do not want to exaggerate the importance of elections at the county level, but I think it is important that however uneven this process is, that something in the range of what, 800 million people are electing the person who is directly above them. There are lots of imperfections I could talk about. But that is fine to support those sorts of things and say this is a good idea. People should have the right to elect the people who govern them directly and I hope to see that move up to the township level in some period of time.

Legislative cooperation, I do not know what programs, if any, you have in place to deal directly with China's National People's Congress. Why not? Legislature to legislature. I think that the National People's Congress, NPC as it is called, has begun to open up in a variety of ways.

I was there with the Carter Center about a year and a half ago, and they were supporting the Carter Center to go and look at some of the legislative elections to the local people's congresses. I think you can do that sort of thing.

The military-to-military relationship, as I think we touched on before, is critical. There is a reflex that if you have an incident the

militaries can't talk to each other. I cannot find any part of the relationship that is more important to talk to each other than the military to military.

So I think, on a whole range of issues, we are going to have our disagreements, but I think that we should try to identify the areas where we can work together on a range of issues and encourage some positive change. I think it would pay dividends.

Thank you.

Mr. ISSA. Thank you.

Mr. LEACH. Thank you, Mr. Issa.

Chairman Ackerman, I think it's only fair to note that many of us were very proud to serve under your chairmanship.

Mr. ACKERMAN. Well, that is very kind of you. It was all too brief, Mr. Chairman. [Laughter.]

Let me thank you and let me thank the panel for their especially strong contribution to our deliberations on this issue. I raised the concern in my opening statement about the President's statement and apparent shift in U.S. policy if indeed that is what it is because I am not sure that I understand whether or not the President can supersede existing U.S. law and basically just set aside the Taiwan Relations Act, which does not call for us—well, it calls specifically for us to provide the weapons that Taiwan needs for its defense, and it makes no mention of our coming to the defense of Taiwan, although many of us feel that we might have a moral obligation to do that. Nonetheless, the law has been deliberately ambiguous and that has worked for quite some time. But there is no obligation certainly under the law to come to the physical defense of Taiwan.

I do note that President Clinton moved a—is it a battleship group or a destroyer group—two carrier battlegroups into the Strait of Taiwan during a time of great tension, but nobody said that we were going to use them, so this ambiguity has really helped us and was non-confrontational to that extent.

The President is saying that basically an attack on Taiwan will be regarded as an attack on us because we have an obligation to defend Taiwan, I do not know what that means in our terms and our Committee, I suppose, will have to work that out with the Administration.

But it being said by the President and accepting that as what is going to be read by the folks in Beijing, how disruptive is that to our relationship there? How will the Chinese with their rising nationalism feel about this? And would you regard this as a setback?

Let us start with you.

Mr. FEWSMITH. Okay. I agree with you that strategic ambiguity has been absolutely core to this relationship. I believe Chairman Leach started by references to the three communiqués in which the one China policy is key. I did not listen to "Good Morning America." I was on a flight from Boston, so I did not hear the President's word, or there may be some explications of this in the day or two to come.

But an open-ended commitment to the defense of Taiwan sounds like a defense relationship. I thought our commitment was to the stability of the Western Pacific, which includes the Taiwan region, and a commitment to the peaceful resolution of that issue.

If it is interpreted as a defense alliance, I think that is very serious.

Mr. ACKERMAN. Professor Lardy.

Mr. LARDY. Well, I have long believed that it is profoundly in our interest to maintain the status quo across the strait until such time as the two sides can work out some kind of peaceful end to their long-term dispute. And I think a key part of that, maintaining that status quo has been strategic ambiguity, and I very much share your view that if there were to be an ironclad guarantee of Taiwan's security along the lines that you say the President suggested this morning, I think you run the risk that you precipitate the very event that you are trying to avoid.

Mr. ACKERMAN. Professor Shambaugh.

Mr. SHAMBAUGH. If he spoke correctly this morning on the program, and I did not see it, and I do not mean to question that the President would not speak correctly, but he has wrestled with this phraseology about Taiwan's defense throughout the campaign. I have studied it. And he has in the past confused the phrases "Taiwan's self-defense" with "defending Taiwan," and I don't know what he did this morning. But it may not have been a conscious departure of the nature that you have described.

But if he indeed does believe that the United States should do whatever it takes to "defend" Taiwan, that is a marked departure from six previous Administrations. It is obviously a marked departure from strategic ambiguity, which I agree with you very much as served us well. It is a marked departure from Taiwan Relations Act language, which speaks of assisting in Taiwan's own self-defense, and it would de facto reconstitute the Mutual Security Treaty that was severed in—abrogated under its terms, I would emphasize, in 1979, at the time of establishment of diplomatic relations with Beijing.

So if indeed he said this—and the Administration, I think, must clarify now what these statements meant—in Beijing it would be a cause for serious concern.

My last point, however. Since 1996, in the deployment of the two carrier battle groups to the Taiwan area, during that crisis the Chinese military has assumed or they felt they had confirmation of what they had already previously assumed; namely, American military intervention in a Taiwan crisis. And they have, since that time, been orienting their training and their procurement, particularly from Russia, very much toward American involvement.

The kinds of weapons they have been buying from Russia have very specifically been chosen to counter very specific capabilities of the United States that they might encounter in such situations.

So whether or not he has made a diplomatic break with past policy, and I dare say the Chinese government assumes our involvement in a Taiwan conflict.

Mr. ACKERMAN. I do have a follow-up question, but I notice my time has expired.

Mr. LEACH. Why don't we do this. I would rather stick with the time frame.

Mr. ACKERMAN. Yes, certainly.

Mr. LEACH. And then I would entertain a second round and that way we are fair to all the Members.

Mr. Flake.

Mr. FLAKE. Thank you, Mr. Chairman, and thank you, the panelists. This has been enlightening. I am glad to see many of the thoughts and feelings I have had as a new Member, I had been a student of international relations for awhile, some of my thoughts have been validated here, particularly on the Olympics issue and engagement in general. I am a fan of engagement and I think for those of us who are concerned about the human rights issues there would be nothing better than to have the Olympics there where the Chinese government would be a bit more under a microscope and would behave themselves a little better.

The fact that we tried to parse President Bush's statements, I think, indicates that we may well still be in the area of strategic ambiguity. Some might argue that over the past 8 years the Chinese may have been led to believe that we would not defend Taiwan, and this last round of statements from the White House might be a little further right than that was left, but it still may fall within that area. They may be led to believe now that we might get involved a little more strongly.

So do you have any comment on that? I am just wondering if the fact that we are talking about and there is disagreement on what the President meant, does that still qualify as strategic ambiguity?

And let me just—a follow-up question—whoever want's to address that one, but then also for Professor Shambaugh. You make a point in your writings to indicate that we ought to seek more cooperation from our allies with regard to China and not be as concerned about their regional involvement perhaps.

What do you mean by that as far as their regional involvement and what their—and maybe I am misinterpreting what you have written. But what should we be concerned about what China is doing in the region? Should we—beyond what the threat to Taiwan, should we be concerned about what they are doing elsewhere?

And thank you.

The first question, Professor Fewsmith, if you want to give an attempt at that.

Mr. FEWSMITH. I will try. Again, since I didn't hear the President's statement, it is certainly ambiguous for me. But let me just make a broader point that there is something of a tradition that when we do something nice for Taiwan we follow it by balancing it, by doing something nice toward Beijing. It is sometimes a tough act to balance walking on a high wire like this, but it is not unreasonable to try to balance these competing interests in that fashion.

And what does give me some concern here is that you do something nice for Taiwan in terms of the arms sale, and follow it by what appears to be something nasty toward Beijing, whereas you should be, I think, reaching out and saying, you know, all we are trying to do is maintain stability in the straits. As long as you are status quo, we are status quo. Okay.

Mr. SHAMBAUGH. Briefly, with respect to your second question, I have written that and this morning said that I think we should consult more with both Asian but also European allies and partners on our China policy, and not simply with the European embassies here in Washington. We need to physically send our assistant secretary of state for East Asia to Europe on a periodic basis,

and I dare say that during the Clinton Administration the assistant secretary for East Asia visited Europe only two times in 8 years. That is not a way to build a coalition or consult appropriately with European countries that you then have to go to every March, for example, with the U.N. Human Rights Commission or other trade issues.

So we just have to recognize that, in general, in foreign policy you need to build relationships incrementally over time, and that is true in China policy too.

Anyway my three quick points on your question.

One is that at least Asian allies and partners of ours, real strategic partners I would point out, like Singapore, where that term is appropriate, value the American role in Asia as a deterrent to China. They too are concerned about the rise of China militarily, and they believe that our military forward presence is a stabilizing thing in East Asia and helps to deter China from potentially reckless action.

Secondly, though, that they do not want to be put into a position of having to choose between their relations with the United States and with China. They have to live next to China. Geography is not going to change for them. And therefore their preferred policy for China is one of integration, to integrate China into its region and into the global international order in a peaceful way so that China hopefully accepts the rules of the game and the norms that underlie those rules. So they are not comfortable when the United States confronts China. They are distinctly uncomfortable. And I am speaking here everywhere from Japan down to Southeast Asian countries.

Yet, unfortunately, they all too frequently hold our coattails while we do the heavy lifting, if you will, with China, and that is where I think consultation again comes in. We may find greater support in various issue areas, from nonproliferation to human rights to trade issues if we cultivate those relations and consult more regularly with these countries.

Mr. LEACH. Mr. Chabot.

Mr. CHABOT. Thank you, Mr. Chairman. I apologize for being a little late for the meeting. We were caught up on the floor, and I also will take the time to read over your statements, but not having been here I did not actually see them yet, so I am going to, first of all, react to what I have heard since I have been here relative to the President's statements about China.

I personally would commend President Bush for strengthening the U.S. commitment to Taiwan and perhaps clearing it up somewhat with still maintaining a certain level of strategic ambiguity as we have referred to it. I think that the real danger perhaps was in the previous Administration when it was very unclear to the Chinese whether we would come to Taiwan's defense, and I think that is much more dangerous to global stability and potential conflicts with China if they really think that we might not act, and with everything from the campaign funding issues with China, and the missiles, and all the other things, and I do not what to rehash all that went on, but there were some real problems with China in the last Administration.

And with all that happening, I think that was a very dangerous situation. I think it is much more stable with an Administration that is going to make it clearer that we are going to do what is necessary to make sure that Taiwan, which is now clearly a democracy which it was not for some period there, but is now, that they are an ally of the United States and that we will, if necessary, come to their defense. So China should not have any question about that in their mind, although there may be some ambiguity.

But that being aside, what I wanted to ask was there has been this talk that, or some speculation about China moving closer to Russia and that that obviously would be of some concern to the United States, depending on how close they actually got, and you may have already touched on this in your testimony, if so, I apologize.

But would any of you gentlemen touch on the issue of in the near future what we think about Russia and China and their relationship vis-a-vis the United States?

Mr. SHAMBAUGH. I think there is a small economic dimension to that relationship that Professor Lardy might speak to as well. But we have not explored it, sir, so it is quite right to raise it because Russia is, of course, the other major power in the world and we have the two of them increasingly close in military strategic terms and of a similar world view and a similar view of the United States and similar view of national missile defense and similar view of other security problems both inside their borders and outside their borders, be it Chechyna or Taiwan.

So I think we need to be alert to this relationship. I do not think we need to be, at the present time, overly fearful of it, although it is moving in directions that I think bear very careful monitoring, and it is moving in these directions partially because of the United States itself, and policies that we are adopting.

They are drafting a joint treaty of amity and cooperation which will be signed some time this summer, I believe, between the two presidents of the country. That will not, in the current drafts anyway, include a reestablishment of an allied relationship. They had an allied relationship in the 1950's. I think both sides have learned from that. China, by the way, has no allied relationship with any other country in the world.

But they are fashioning this treaty, and there is in the draft some pretty tough language about the United States, not so disguised, so that is at one level strategic.

At another level, militarily, we have talked about it a little bit and I will not belabor it, but Russia is the major source of arms supplies to China today in the areas of aircraft, surface combatants, submarines, the surface-to-air missiles, helicopters, long-range transport aircraft and other systems.

And finally, there is a third dimension of this relationship, and that is in the context of other Central Asian countries, what they call the "Shanghai Five," together with Kazakhstan, Tajikistan and Kurdistan. This is a positive grouping of relationships that have served to lower the security threats in Central Asia and along the Chinese/Russian border, and have demilitarized that border to the good of all of East Asia.

So there are kind of three separate dimensions here. I think we need to be alert though to the evolution of this relationship. Yet we also have to be alert to the fact that we are driving them into each other's arms by some of our own policies, particularly national missile defense.

Mr. LARDY. Let me just say on the economic side that the relationship over the last 10 years since the collapse of the Soviet Union has basically been going nowhere. Trade has been very stagnant. China/Russian trade has gone absolutely nowhere. So as a percentage of China's total trade, it has become vanishingly small, and there is very little going on in terms of technology transfer outside of the military area. So this is a quite different relationship from the one that we saw in earlier periods.

I think it is certainly an opportunistic one. There is certainly the threat of the ability of the Chinese to increase their military capability, but I am a little bit on the skeptical side that the economic side of the relationship will go anywhere at least until such time as the Russians are able to put their economic house in order and have a more robust economy and one that is a bit more integrated into the international economic system.

I mean, China's trade with the rest of the world is now light years ahead of Russia, and if you go back 15 years ago the Russians were actually—in the Soviet period were actually trading more with the rest of the world than the Chinese were. So there has been total change.

Mr. FEWSMITH. I would just second Professor Shambaugh's comments. I think it is a relationship worth watching, but I do worry about the driving component of that, that we are creating a mutual interest in their cooperation. It is not unheard of in international relations that nations that find themselves on the short end of the stick try to balance. This is what you call balancing.

Mr. LEACH. Thank you, Steve.

We are going to have a quick second round. I will start with Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

In discussing the problem with Taiwan, I am reminded of a silly game that young people play. I do not know if you did, gentlemen, where the big brother and small brother challenge each other to go and pull the ear of another guy, and the younger brother does this and takes off, expecting the big brother to take care of him.

I think there is a little of that here. For example, tensions increased between Taiwan and the People's Republic of China, as we know, when the President of Taiwan formally addressed Cornell University, his alma mater. This caused a lot of serious issues and problems with our relationship with China.

I do not think there was any strategic ambiguity when President Clinton made the decision to send two battle carrier groups to the Taiwan Strait in 1996, showing China that we were dead serious about Taiwan. And in fairness to President Bush, I do not want to second guess what he really meant when he was quoted earlier by some of our colleagues. I am sure that the Administration will at a later point in time clarify exactly what the President meant by that because it does have some very serious implications on our policy toward China.

The biggest concern we have is that Taiwan does not become a catalyst, the cause of two superpowers or giants fighting over this area. You can talk about it as a matter of principle, but if a button is accidentally pushed, leading one thing to another, that really could be a major disaster, not only of our foreign policy but a situation where we could end up at war. We should not become apologetic in terms of our ability to defend Taiwan, but I think there are nuances that we have to contend with in that issue.

Former Secretary of Defense Cheney gave a suggestion that perhaps what is needed for our foreign policy is to establish regional security organizations to enhance stability. As you know, NATO is having problems too, with 15 European countries becoming independent overnight from the former Soviet Union.

I want to ask you gentlemen do you think there is validity in the idea that China could also be a part of a regional security organization for the Asia Pacific region? I am fearful, as Professor Shambaugh had indicated earlier, that Russia and China may end up being together in bed again simply because of the kinds of policies that we enunciate that may not necessarily have been our intent. I think that both Russia and the PRC should have positive roles to play in providing regional security in Europe as well as in Asia.

Gentlemen, can you give me your thoughts on these matters?

Mr. FEWSMITH. Could I respond a bit to the——

Mr. FALEOMAVAEGA. Please.

Mr. FEWSMITH [continuing]. Taiwan as catalyst suggestion?

Mr. FALEOMAVAEGA. Please.

Mr. FEWSMITH. I was more worried about that a couple of years ago. I was in Beijing in January at the invitation of the Taiwan Research Institute, and I was with a group, we had a number of good meetings. And it was interesting how relaxed relatively speaking that relationship was at that particular time.

China was extremely tense about a year ago when the current President of Taiwan, Chen Shui-bian, was elected. It was a surprise, first time a member of the DPP had been elected, and he made it very evident very quickly that he was not interested in antagonizing Beijing. At the same time, the Taiwanee economy has not done as well in recent months, and this makes Beijing more comfortable because they know that Taiwan has to invest more, become far more integrated into the mainland and so forth.

And on the other hand they did not see a reason to push things too far too fast. They were not happy that Chen Shui-bian was not saying "one China" the way they wanted. They are never going to be happy over these formulae quickly or easily.

But what is surprising, I think, in the present context, whether it's the Hainan or the arms sales issue, is how quickly these issues seem to flair up, and the basic situation was fairly calm, and I think that we would be well advised to try to return to that.

And I guess in that context, you know, there is the ARF, Asian Regional Forum, of which China has been a participant in their deliberations, although not a formal member, and expanding that and then bringing China into security dialogues, I think, is good. Any sort of regional organization that excluded China would of course be taken as containment.

Thank you.

Mr. LARDY. I will be very brief. This is not my area of expertise, but I agree with you that we certainly do not want to get drawn into something, and particularly we do not want to get—in my view, do not want to get draw into a——

Mr. FALEOMAVAEGA. Let me ask you, Professor Lardy, a question specifically on our $120 billion trade with China. You believe that we should continue the way things are as far as economic ties with China?

Mr. LARDY. Absolutely. I mean, I think it is—I think it in our self-interest, and as I have indicated, I think it constrains the Chinese in the other areas in ways which are certainly to our advantage, and we ought to not throw that leverage away by revoking their trade status or something like that. I mean, we would be giving up the little, you know, pressure to act in a reasonable way that we have.

But on the military side, I think we certainly want to avoid getting drawn into a conflict that is precipitated by Taiwan declaring independence, and I think that was the advantage of strategic ambiguity to say that there were some circumstances that they could not count on us coming to their defense, and that would clearly be one of them.

I would also say it is in our interest to maintain this status quo because of the very important and growing economic relationship between Taiwan and China. They are—China is now Taiwan's second largest market. There is a booming economic relationship between the two sides, and I mean the attitude in Taiwan these days is they do not want to have a conflict with China because so much is at stake economically. Their own economy has not—as Professor Fewsmith mentioned—is not as strong as it has been in earlier years, and their future economically is increasingly tied to the mainland.

So I think the economic incentives are working in the right direction. Chen Shui-bian has modified and moderated his language on independence very dramatically, and that is why the Chinese are becoming more comfortable in the prospect of dealing with him compared to when the initial election occurred.

So I think—I think there are positive signs in the region between the two sides if we can maintain the stability and as I say, maintain the status quo were Taiwan has de facto independence and China can maintain its theoretical claim of sovereignty. I think that is a perfectly good arrangement. It is challenging to maintain. Some people say it is too difficult. But I still think it is our best alternative.

Mr. FALEOMAVAEGA. Professor Shambaugh.

Mr. SHAMBAUGH. I will just briefly try and respond to your question about regional security organizations.

I guess it would be nice if there was an Asian version of NATO or even the OSCE, but we do not have one and I do not, as a student of Asian security, really see one emerging in my lifetime because there are not the cultural or political or even strategic underpinnings in the countries, shared culture, political systems, political cultures even and strategic views that would undergird such a regional organization.

So we have this kind of situation where we have what former Secretary of State Baker called, I think, a hub and spokes situation, where the hub of the wheel are the five U.S. bilateral alliances in the region. The spokes are a series of multilateral dialogues, in essence, of which the ARF is one, and that they are complementary to each other, but that the wheel cannot go around without the hub, and therefore one must concentrate on the five bilateral alliances, strengthening and defining those alliances.

I think the Clinton Administration in its second term did a pretty good job of that, and starting that. And from what one hears of the new Administration, that is their highest priority in Asia is to give new definition and new life and new strength to these five bilateral alliances.

But in doing so one has to be very cognizant of China because China is going to react and see the strengthening of these alliances as containment, or neocontainment policies.

So the real trick is what you put your finger on at the outset, namely, how to draw China into a regional security relationship and accommodate itself to the American-led security architecture.

Thank you.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Mr. LEACH. Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman.

One of the areas of confluence of interest between the U.S. and China is the issue of North Korea. I would just like to know your opinion on how the Bush Administration's new policy of lack of engagements with the DPRK on missiles and our new policy articulated by the President to regard China as a strategic competitor, how those two taken together impact on regional security. Does it help or hurt?

Mr. FEWSMITH. I think that we were having a very nice dialogue with North Korea, never an easy dialogue partner, but the range of contacts, the range of interaction had grown tremendously over the last few years. They were, as far as I am aware, adhering to all their commitments that were specified in the framework agreement, and I hope that that framework agreement can be reaffirmed and implemented. I think that, again, is our best chance in that area for stability.

I am sorry, what was the——

Mr. ACKERMAN. When do you——

Mr. FEWSMITH. Competitor, competitor.

I think there is a simple point here. This term ''building a strategic relationship'' has come in for a lot of criticism. Maybe it is not a good term. But if you emphasize building one, it is something in the future. That is better than saying you are a strategic competitor. If you are a partnership, you can still compete. But if you are a competitor, can you also be a partner?

And I think the former formulation gives you a lot greater flexibility. The latter one tends to box you in, in my opinion.

Mr. SHAMBAUGH. I must disagree on the last point a little bit with my colleague. I think that the latter phrase ''strategic competitor'' is a more empirical description of reality rather than a wish about the future, which the Clinton people wanted.

We do strategically compete with China in East Asia over a whole range of things that we have been talking about here today, most importantly the regional security architecture, Taiwan, Japan, and so on and so forth.

So we compete on a number of issues, but I would say we also cooperate. And to answer Professor Fewsmith's question, yes, you can compete within a cooperative relationship or partnership, but you can also cooperate within a competitive relationship, and that is the case, I think. It is unfortunate these two terms are counterposed in the media, but they are false dichotomies. I myself like the latter term better, as I think it is a better description of realty.

On your question about North Korea, I think the Bush Administration is very much off on the wrong foot on Korean policy, and the way that the Kim Dae Jung visit was handled was a great embarrassment to our country, in my view, and to this noble laureate, and to a sensible Korea policy that had been fashioned by the last Administration.

So I would hope that when the team is fully in place, the Asia team, that they move to pick up the ball that was left on the court not only by the previous Administration but by Kim Dae Jung and by China and by Japan, the other principal actors engaged in the detente on the Korean Peninsula.

Mr. LARDY. I will just make one comment on this whole question of competitor versus partner. I think the formulation I like the best is the one I heard Mike Oksenberg use on a number of occasions, which was we cooperate where we can and contend where we must, and obviously the implication being you try to expand the areas of cooperation and narrow the areas of contention, but it does not prejudge the outcome.

Mr. ACKERMAN. Thank you. Thank you, Mr. Chairman.

Mr. LEACH. Thank you.

Well, let me thank you all for a very common sense perspective. I would just like to conclude with one final comment about the dichotomies between strategic issues, trade issues and cultural issues. And it strikes me that there are points of cooperation and contention in the first two.

But on cultural issues the emphasis should almost entirely be cooperation, and that is where you respect peoples and histories and civilizations, and the Olympics stand out in that regard, and I think in a general way it is only a folly for the United States Congress to recommend against a country holding the Olympic games. It is not the role of Congress.

But just putting that aside, just speaking personally, I cannot think of anything more wondrous than when you have difficult times that culture should be emphasized, and holding the Olympics in Beijing would be a wonderful experience for China and for the United States as well, and those of us who follow sports carefully are deeply admiring of Chinese diving and gymnastics teams, and we would love to compete with them in their turf.

And coming from a state in which the oldest sport is the dominant sport called wrestling, at least in the Western world, we have a long-held views that one of the better ways to interrelate in a competitive way, to use the term today, is under a rule-based system. And so I hope this Congress does not get overboard on believ-

ing that to be macho against holding the Olympics in a given city is the real way for competition to be reflected in international affairs.

In any regard, I want to thank you all. Your testimony is much appreciated.

The Committee is adjourned.

[Whereupon, at 12:08 p.m., the Subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

Thank you Mr. Chairman for allowing me to enter this article into the record. I am very concerned about the human rights abuses in China in general with the arrest of Father Lu Genjun and now with Dr. Shaomin Li. Mr. Li is a scholar and an academic. He has written extensively on China-Taiwan relations and shouldn't be penalized for expressing academic freedom.

Thank you once again.

CONGRESSMAN DONALD M. PAYNE

enclosure: Article from *The Prince Magazine* entitled "A Tiger in a Lion's Den."

A TIGER IN A LION'S DEN

Li Shaomin GS '88 publicly criticized the Chinese government. Then, 57 days ago he disappeared. Like tens of other Americans, the People's Republic is holding him in prison, but no one knows exactly why. Even the University has weighed in. But will i *by MOLLY BLOOM '02*

On the evening of February 25, Li Shaomin GS '88 said good-bye to his wife and nine-and-a-half-year-old daughter and boarded the train that would take him from his home in Hong Kong to the city of Shenzhen, in southern China. Li was going to meet some friends in Shezhen, his wife Liu Yingli said.

His friends were left waiting.

Li never made the rendez-vous.

The Chinese government has held Li—a 44-year-old naturalized U.S. citizen who earned a PhD from Princeton in 1988—effectively "incommunicado" for the past 57 days, allowing him only two visits from a consular official. "It's a form of torture," said Arthur Waldron, Director of Asian Studies at the American Enterprise Institute and a former history and East Asian studies professor at Princeton.

"They can hold him forever."

At least five other scholars have been detained by Chinese security forces recently, according to East Asian studies professor Perry Link. Gao Zhan, a permanent resident of the US and a research scholar at American University, was detained February 11 and 51 days later charged with spying, a crime which carries a maximum sentence of life imprisonment. About 20 American citizens are currently detained or imprisoned in China for a variety of offenses, according to news reports.

Li, a professor of marketing at the City University of Hong Kong, was primarily interested in economics, strategic management and marketing, said Princeton sociology professor Gilbert Rozman, his academic advisor at Princeton. His recent activities involved a venture into e-commerce.

Citing Li's PhD dissertation—a demographic critique of China's one-child policy—Waldron noted that Li has a "very deep interest in the welfare of the society and the country." He has written several articles about the need for political and economic change in China.

While at Princeton in 1987, Li signed an open letter in support of the democracy movement in China. Though 1,000 Chinese nationals studying in the US endorsed the letter, only 480 of them were willing to allow their names to be published. Li's was one of these public signatures.

Li's father, Li Honglin, was a prominent liberal in the Communist Party at the time, but was later jailed for 10 months for publicly supporting the pro-democracy movement that swelled in Tiananmen Square.

Despite his public stance, Li's colleagues would not label him an outspoken dissident. Paula Chow, director of Princeton's International Center, described Li as

"gently active." Li's work, though progressive wasn't particularly controversial or politicized, Rozman agreed.

Li Shaomin came to Princeton in the fall of 1985 to study demography with Ansley Cole, then Director of the Office of Population Research.

Li is a quiet leader, his friends say, a man who exerted a calm perceptive intelligence. Fellow students first at Beijing University, and then at Princeton, nicknamed him zu zhang, or "class leader."

Xiaowei Waldron '87 was an undergraduate in the Wilson School when she first met Li on the campus shuttle, where he served as a driver. They quickly became friends. "Together with his wife and several other friends, we often cooked dinner together," she said.

"We drank a lot of tea together," she explained simply. "He's just a nice guy."

Xiaowei, one of the first Chinese students to come to Princeton after the Chinese Cultural Revolution, is now married to Arthur Waldron. She expressed her outrage at Li's detention and sympathy for his family by describing the anguish his wife is facing. "You have your apartment, your friends, but now . . ." she said. "Think about the kind of agony she is going through."

Li's wife Liu recalled the couple's affection for Princeton. They enjoyed meandering walks on weekend afternoons, wandering in and out of the shops on Nassau Street and sitting on sun-warmed wooden benches in Prospect Garden. "We always had a very close relationship with Princeton," she said. "We always feel [like] part of the Princeton community."

Li's footsteps on the gravel paths of Prospect Garden may have long-since faded, but he has left an enduring trail through the offices of American academics of political cartoons and finely drawn sketches that hang framed on walls or pinned to office bulletin boards.

Arthur Waldron, a friend of Li's, has a cartoon the Chinese academic drew of a Chinese train conductor crying "All aboard for progress," with the tracks ahead blocked by carefully labeled obstacles—poverty, the one-child policy, hard-liners and so on. Cole, Li's dissertation advisor, has a cartoon Li drew for him framed. It hangs on his bedroom wall. The cartoon shows a towering professor holding up a small piece of paper with tiny writing on it and asking the students clustered at his feet "Can you all see this?"

"There are people who benefit from a climate of political fear," White noted. "There are also people who benefit from bad US-China relations."

Within both countries, these people or factions who gain from tensions between America and China—the defense industry, political figures, members of the military-industrial complex—may be encouraging ill will between the two countries to serve their own interests, he suggested.

"When one speaks of China and the United States, one speaks of the most nationalist and patriotic countries in the world," he added.

As the negotiations in the aftermath of the April collision between a U.S. Navy surveillance plane and a Chinese fighter plane showed, both countries are prickly about infringement on their national authority. Political figures, military staff and defense industry representatives can capitalize these confrontations. "It is very easy for hard-liners to capture the headlines," White said.

"There are tremendous opportunities for people who want to make profits or [expand] their military budgets," said White, noting, these people occupy positions of power in both countries. In the US, they can be characterized as Republicans and defense industry representatives. "The people are pretty easy to identify," White said. "I think [President Bush's] advisors . . . tell a lot about the . . . motivations both of Chinese and American military budgeters."

With fellow detainee Gao Zhan charged with spying, it seems likely Li may face similar charges—though this is far from certain.

But, it is "extremely unlikely" that Li was engaged in espionage, Link said.

Over the years, Li did express progressive political views. His dissertation at Princeton criticized China's "one-child" policy, and he was "fascinated" by social change, according to Waldron. Li was engaged in multi-disciplinary studies, Waldron said, but not espionage. Any charges of espionage that might be brought against Li would be baseless, he noted, "an exercise in intimidation."

Not everyone, however, assumes Li's innocence. Zhu Xinping GS, a Chinese citizen and a graduate student in Princeton's electrical engineering department disagreed. "I definitely think Dr. Li is a spy," he said, claiming that China is safeguarding its national security by detaining suspected espionage agents. The Chinese way is to hold suspects in detention for as long as necessary before charging them. "It's more efficient," Zhu said.

Though Li has been a American citizen since 1995 it is likely that by detaining him China is trying to exert control over a scholar whom it still thinks of as "one of ours," Link said.

Li could be detained for up to seven months without being charged with a crime, according to University of Washington School of Law professor Donald Clarke '77, who specializes in the Chinese justice system. Arrest is a distinct stage in the criminal procedure, he said. "You can be sitting in prison and someone can come up to you and hand you a piece of paper and say you're arrested."

At that point in a criminal case, the state has already marshaled its evidence against the detainee. The trial becomes more of a bureaucratic approval process than an investigative judicial proceeding. "Chinese courts are not in any realistic sense independent," Clarke said. "There belong to the same bureaucratic system as the police or the Ministry of State Security."

"There will be a decision made at some level about how the case should be handled," he added. "It's extremely unlikely that what happens at the trial will be a surprise to anyone."

Though Li is a U.S. citizen, that doesn't get him special consideration in the Chinese justice system, Clarke said. As required by international standards, the Chinese government informed the American Embassy that Li had been detained and has allowed him two consular visits, according to news reports. But the consulate can't do all that much to help detainees, Clarke said. "They can talk to them and bring them toothpaste," he said. "It's just a right of access."

There are a number of different espionage-related charges in Chinese criminal procedure law. The most serious penalty for spying—for crimes endangering state security under "particularly vile" circumstances—carries a maximum penalty of death. But it is very rare for this maximum to be invoked, according to Clarke.

Other spying charges—including joining an espionage organization or illegally providing state secrets for a foreign institution—carry penalties that range from a three-year prison sentence to life imprisonment and can include the confiscation of property.

Li is probably being held in "spartan but humane" conditions since he is an American citizen and his case has been picked up by the international press, Link said.

But it is also very likely that Li has been subject to "intense interrogation," said Mike Jendrzejczyk, Washington director for Asia for Human Rights Watch. Often

the government detains suspects for long period of time in order to extract a forced confession, he said.

The crew members of the U.S. Navy surveillance plane that collided with a Chinese fighter have said that they were subject to intense interrogation during their 11-day detention, according to accounts in The New York Times. These interrogations were often conducted in the middle of the night and sometimes lasted as long as five hours.

Chinese officials have stated many times that China does recognize the Universal Declaration of Human Rights and will respect its principles, but human-rights groups have been very critical of the country's human rights record, according to James Zimmerman, Amnesty International country specialist for China.

A resolution introduced by the U.S. delegation at the annual meeting of the UN Commission on Human Rights this month criticizing China's poor human rights record was blocked from debate by a procedural motion by China. The American Congress passed a similar resolution on April 3.

"China routinely ignores [UN rules for the humane treatment of prisoners]," Jendrzejczyk said, "failing to provide access to adequate medical care or to their family members."

Though Li's case has been somewhat overshadowed by other recent events in U.S.-China relations—Princeton has taken an active role in helping its graduate alumnus.

The University's international reputation could be a powerful force in working for Li's fair treatment, Waldron said, "Li is a Princetonian and anywhere in the world they understand what Princeton is."

President Shapiro publicly expressed his concern for Li in an April 17 letter addressed to Chinese President Jiang Zemin in which he expressed his "deep concern" for Li and his hope that Li's detention would be resolved " as promptly as possible."

"We are trying to bring [Li's detention] to the attention of the president of China and the Chinese ambassador," said Bob Durkee '69, Vice President for Public Affairs. "Our hope is that they will look into this and it will be resolved."

In his letter Shapiro also expressed concern for the "chilling effect" the detention of academics like Li could have on "scholarly engagement" between the US and China.

"Princeton is one of many universities where there has been much fruitful scholarly collaboration and student exchange with China in recent years," he wrote. "These activities depend on respect for freedom of academic inquiry and the thoughtful pursuit of academic research."

Shapiro's letter is "an excellent start," said Waldron, but he noted that the letter left open the possibility that Li could be charged with a crime. "[President Shapiro] is not assuming anything," he said. "The test will be the follow-up."

Three Princeton faculty members—Link, Rozman, and White—were among 375 scholars who signed a separate letter to President Jiang Zemin also released April 17. The letter protests China's ongoing detention of three academics—Li, Gao, and Xu Zerong, who holds an associate research professor at the Guangdong Provincial Academy of Social Sciences.

The letter, which was signed by scholars from 14 countries, as well as Taiwan and Hong Kong, called the detentions as "a gross violation of China's Criminal Procedure Law" as well as international human rights law.

Students too have mounted efforts to help Li. The University chapter of Amnesty International also organized a petition drive, collecting 250 student, faculty and staff signatures on a petition that asks the Chinese government either to make public where Li is being detained and the charges against him or to release him unless there is clear evidence that he has committed a non-political offense, according Amnesty International member Kate Jordan '03.

The response from students to get involved with efforts to help Li has been generally positive, Jordan said, though many were surprised to hear of Li's detention.

"Their jaws would drop," she said. "I think probably they were shocked in part because it's someone from Princeton . . . and we don't know what he's done and no one knows where he is."

After careful consideration of the situation, the Princeton community—administration, faculty and students—has indeed taken a stand to see that Li is treated justly.

"When you encounter injustice you have to speak out," said Waldron.

Some faculty members have said they doubt how effective any statement, petition or letter from Princeton would be in convincing China to release Li. "I think this is probably beyond Princeton," Chow said. "[China] has their way of doing things." But she also acknowledged that Princeton's international reputation did carry some weight and encouraged University efforts on Li's behalf.

China scholars sometimes are prevented from carrying out research in China because the government does not approve of their research findings or activities that they view as political. Link, for example, has been unable to get a visa for travel in China since 1996. Program faculty for Princeton-in-Beijing, an eight-week summer language program at Beijing Normal University, have been forced to censor course material considered to be critical of Chinese domestic policies.

Princeton—and the nation—has a duty to see that Li, as a U.S. citizen, is treated fairly, said Waldron. "Our nation is not a given thing," he said. "Being an American is something that you have to buy into." Li bought into America six years ago when he became an American citizen and is waiting in a Chinese jail for the pay-off.

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