

Whither China: From Membership to Responsibility?

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Earlier this year, I had the pleasure of making the acquaintance of Mr. Zheng Bijian, Chair of the China Reform Forum, who over some decades has been a counselor to China's leaders. We have spent many hours in Beijing and Washington discussing China's course of development and Sino-American relations. It has been my good fortune to get to know such a thoughtful man who has helped influence, through the Central Party School, the outlook of many officials during a time of tremendous change for China.

This month, in anticipation of President Hu's visit to the United States, Mr. Zheng published the lead article in *Foreign Affairs*, "China's 'Peaceful Rise' to Great Power Status." This evening, I would like to give you a sense of the current dialogue between the United States and China by sharing my perspective.

Some 27 years ago, Chinese leaders took a hard look at their country and didn't like what they saw. China was just emerging from the Cultural Revolution. It was desperately poor, deliberately isolated from the world economy, and opposed to nearly every international institution. Under Deng Xiaoping, as Mr. Zheng explains, China's leaders reversed course and decided "to embrace globalization rather than detach themselves from it."

Seven U.S. presidents of both parties recognized this strategic shift and worked to integrate China as a full member of the international system. Since 1978, the United States has also encouraged China's economic development through market reforms.

Our policy has succeeded remarkably well: the dragon emerged and joined the world. Today, from the United Nations to the World Trade Organization, from agreements on ozone depletion to pacts on nuclear weapons, China is a player at the table.

And China has experienced exceptional economic growth. Whether in commodities, clothing, computers, or capital markets, China's presence is felt every day.

China is big, it is growing, and it will influence the world in the years ahead.

For the United States and the world, the essential question is – how will China use its influence?

To answer that question, it is time to take our policy beyond opening doors to China's membership into the international system: We need to urge China to become a *responsible stakeholder* in that system.

China has a responsibility to strengthen the international system that has enabled its success. In doing so, China could achieve the objective identified by Mr. Zheng: "to transcend the traditional ways for great powers to emerge."

As Secretary Rice has stated, the United States welcomes a confident, peaceful, and prosperous China, one that appreciates that its growth and development depends on constructive connections with the rest of the world. Indeed, we hope to intensify work with a China that not only adjusts to the international rules developed over the last century, but also joins us and others to address the challenges of the

new century.

From China's perspective, it would seem that its national interest would be much better served by working with us to shape the future international system.

If it isn't clear why the United States should suggest a cooperative relationship with China, consider the alternatives. Picture the wide range of global challenges we face in the years ahead – terrorism and extremists exploiting Islam, the proliferation of weapons of mass destruction, poverty, disease – and ask whether it would be easier or harder to handle those problems if the United States and China were cooperating or at odds.

For fifty years, our policy was to *fence in* the Soviet Union while its own internal contradictions undermined it. For thirty years, our policy has been to *draw out* the People's Republic of China. As a result, the China of today is simply not the Soviet Union of the late 1940s:

- It does not seek to spread radical, anti-American ideologies.
- While not yet democratic, it does not see itself in a twilight conflict against democracy around the globe.
- While at times mercantilist, it does not see itself in a death struggle with capitalism.
- And most importantly, China does not believe that its future depends on overturning the fundamental order of the international system. In fact, quite the reverse: Chinese leaders have decided that their success depends on being networked with the modern world.

If the Cold War analogy does not apply, neither does the distant balance-of-power politics of 19th Century Europe. The global economy of the 21st Century is a tightly woven fabric. We are too interconnected to try to hold China at arm's length, hoping to promote other powers in Asia at its expense. Nor would the other powers hold China at bay, initiating and terminating ties based on an old model of drawing-room diplomacy. The United States seeks constructive relations with all countries that do not threaten peace and security.

So if the templates of the past do not fit, how should we view China at the dawn of the 21st Century?

On both sides, there is a gulf in perceptions. The overwhelming priority of China's senior officials is to develop and modernize a China that still faces enormous internal challenges. While proud of their accomplishments, China's leaders recognize their country's perceived weaknesses, its rural poverty, and the challenges of political and social change. Two-thirds of China's population – nearly 900 million people – are in poor rural areas, living mostly as subsistence farmers, and 200 million Chinese live on less than a dollar a day. In China, economic growth is seen as an internal imperative, not as a challenge to the United States.

Therefore, China clearly needs a benign international environment for its work at home. Of course, the Chinese expect to be treated with respect and will want to have their views and interests recognized. But China does not want a conflict with the United States.

Nevertheless, many Americans worry that the Chinese dragon will prove to be a fire-breather. There is a cauldron of anxiety about China.

The U.S. business community, which in the 1990s saw China as a land of opportunity, now has a more mixed assessment. Smaller companies worry about Chinese competition, rampant piracy, counterfeiting, and currency manipulation. Even larger U.S. businesses – once the backbone of support for economic engagement – are concerned that mercantilist Chinese policies will try to direct

controlled markets instead of opening competitive markets. American workers wonder if they can compete.

China needs to recognize how its actions are perceived by others. China's involvement with troublesome states indicates at best a blindness to consequences and at worst something more ominous. China's actions – combined with a lack of transparency – can create risks. Uncertainties about how China will use its power will lead the United States – and others as well – to hedge relations with China. Many countries hope China will pursue a "Peaceful Rise," but none will bet their future on it.

For example, China's rapid military modernization and increases in capabilities raise questions about the purposes of this buildup and China's lack of transparency. The recent report by the U.S. Department of Defense on China's military posture was not confrontational, although China's reaction to it was. The U.S. report described facts, including what we know about China's military, and discussed alternative scenarios. If China wants to lessen anxieties, it should openly explain its defense spending, intentions, doctrine, and military exercises.

Views about China are also shaped by its growing economic footprint. China has gained much from its membership in an open, rules-based international economic system, and the U.S. market is particularly important for China's development strategy. Many gain from this trade, including millions of U.S. farmers and workers who produce the commodities, components, and capital goods that China is so voraciously consuming.

But no other country – certainly not those of the European Union or Japan – would accept a \$162 billion bilateral trade deficit, contributing to a \$665 billion global current account deficit. China – and others that sell to China – cannot take its access to the U.S. market for granted. Protectionist pressures are growing.

China has been more open than many developing countries, but there are increasing signs of mercantilism, with policies that seek to direct markets rather than opening them. The United States will not be able to sustain an open international economic system – or domestic U.S. support for such a system – without greater cooperation from China, as a stakeholder that shares responsibility on international economic issues.

For example, a responsible major global player shouldn't tolerate rampant theft of intellectual property and counterfeiting, both of which strike at the heart of America's knowledge economy. China's pledges – including a statement just last week by President Hu in New York – to crack down on the criminals who ply this trade are welcome, but the results are not yet evident. China needs to fully live up to its commitments to markets where America has a strong competitive advantage, such as in services, agriculture, and certain manufactured goods. And while China's exchange rate policy offered stability in the past, times have changed. China may have a global current account surplus this year of nearly \$150 billion, among the highest in the world. This suggests that China's recent policy adjustments are an initial step, but much more remains to be done to permit markets to adjust to imbalances. China also shares a strong interest with the United States in negotiating a successful WTO Doha agreement that opens markets and expands global growth.

China's economic growth is driving its thirst for energy. In response, China is acting as if it can somehow "lock up" energy supplies around the world. This is not a sensible path to achieving energy security. Moreover, a mercantilist strategy leads to partnerships with regimes that hurt China's reputation and lead others to question its intentions. In contrast, market strategies can lessen volatility, instability,

and hoarding. China should work with the United States and others to develop diverse sources of energy, including through clean coal technology, nuclear, renewables, hydrogen, and biofuels. Our new Asia Pacific Partnership on Clean Development and Climate – as well as the bilateral dialogue conducted by the U.S. Department of Energy and China's National Development and Reform Commission – offer practical mechanisms for this cooperation. We should also encourage the opening of oil and gas production in more places around the world. We can work on energy conservation and efficiency, including through standards for the many appliances made in China. Through the IEA we can strengthen the building and management of strategic reserves. We also have a common interest in secure transport routes and security in producing countries.

All nations conduct diplomacy to promote their national interests. Responsible stakeholders go further: They recognize that the international system sustains their peaceful prosperity, so they work to sustain that system. In its foreign policy, China has many opportunities to be a responsible stakeholder.

The most pressing opportunity is North Korea. Since hosting the Six-Party Talks at their inception in 2003, China has played a constructive role. This week we achieved a Joint Statement of Principles, with an agreement on the goal of "verifiable denuclearization of the Korean peninsula in a peaceful manner." But the hard work of implementation lies ahead, and China should share our interest in effective and comprehensive compliance.

Moreover, the North Korea problem is about more than just the spread of dangerous weapons. Without broad economic and political reform, North Korea poses a threat to itself and others. It is time to move beyond the half century-old armistice on the Korean peninsula to a true peace, with regional security and development. A Korean peninsula without nuclear weapons opens the door to this future. Some 30 years ago America ended its war in Viet Nam. Today Viet Nam looks to the United States to help integrate it into the world market economic system so Viet Nam can improve the lives of its people. By contrast, North Korea, with a 50 year-old cold armistice, just falls further behind.

Beijing also has a strong interest in working with us to halt the proliferation of weapons of mass destruction and missiles that can deliver them. The proliferation of danger will undermine the benign security environment and healthy international economy that China needs for its development.

China's actions on Iran's nuclear program will reveal the seriousness of China's commitment to non-proliferation. And while we welcome China's efforts to police its own behavior through new export controls on sensitive technology, we still need to see tough legal punishments for violators.

China and the United States can do more together in the global fight against terrorism. Chinese citizens have been victims of terror attacks in Pakistan and Afghanistan. China can help destroy the supply lines of global terrorism. We have made a good start by working together at the UN and searching for terrorist money in Chinese banks, but can expand our cooperation further.

China pledged \$150 million in assistance to Afghanistan, and \$25 million to Iraq. These pledges were welcome, and we look forward to their full implementation. China would build stronger ties with both through follow-on pledges. Other countries are assisting the new Iraqi government with major debt forgiveness, focusing attention on the \$7 billion in Iraqi debt still held by Chinese state companies.

On my early morning runs in Khartoum, I saw Chinese doing tai chi exercises. I suspect they were in Sudan for the oil business. But China should take more than

oil from Sudan – it should take some responsibility for resolving Sudan's human crisis. It could work with the United States, the UN, and others to support the African Union's peacekeeping mission, to provide humanitarian relief to Darfur, and to promote a solution to Sudan's conflicts.

In Asia, China is already playing a larger role. The United States respects China's interests in the region, and recognizes the useful role of multilateral diplomacy in Asia. But concerns will grow if China seeks to maneuver toward a predominance of power. Instead, we should work together with ASEAN, Japan, Australia, and others for regional security and prosperity through the ASEAN Regional Forum and the Asia Pacific Economic Cooperation forum.

China's choices about Taiwan will send an important message, too. We have made clear that our "one China" policy remains based on the three communiqués and the Taiwan Relations Act. It is important for China to resolve its differences with Taiwan peacefully.

The United States, Japan, and China will need to cooperate effectively together on both regional and global challenges. Given China's terrible losses in World War II, I appreciate the sensitivity of historical issues with Japan. But as I have told my Chinese colleagues, I have observed some sizeable gaps in China's telling of history, too. When I visited the "918" museum at the site of the 1931 "Manchurian Incident," I noted that the chronological account jumped from 1941 to the Soviet offensive against Japan in August 1945, overlooking the United States involvement in the Pacific from 1941 to 1945! Perhaps we could start to ease some misapprehensions by opening a three-way dialogue among historians.

Clearly, there are many common interests and opportunities for cooperation. But some say America's commitment to democracy will preclude long-term cooperation with China. Let me suggest why this need not be so.

Freedom lies at the heart of what America is... as a nation, we stand for what President Bush calls the non-negotiable demands of human dignity. As I have seen over the 25 years since I lived in Hong Kong, Asians have also pressed for more freedom and built many more democracies. Indeed, President Hu and Premier Wen are talking about the importance of China strengthening the rule of law and developing democratic institutions.

We do not urge the cause of freedom to weaken China. To the contrary, President Bush has stressed that the terrible experience of 9/11 has driven home that in the absence of freedom, unhealthy societies will breed deadly cancers. In his Second Inaugural, President Bush recognized that democratic institutions must reflect the values and culture of diverse societies. As he said, "Our goal... is to help others find their own voice, attain their own freedom, and make their own way."

Being born ethnically Chinese does not predispose people against democracy – just look at Taiwan's vibrant politics. Japan and South Korea have successfully blended a Confucian heritage with modern democratic principles.

Closed politics cannot be a permanent feature of Chinese society. It is simply not sustainable – as economic growth continues, better-off Chinese will want a greater say in their future, and pressure builds for political reform:

- China has one umbrella labor union, but waves of strikes.
- A party that came to power as a movement of peasants now confronts violent rural protests, especially against corruption.
- A government with massive police powers cannot control spreading crime.

Some in China believe they can secure the Communist Party's monopoly on power through emphasizing economic growth and heightened nationalism. This is risky and mistaken.

China needs a peaceful political transition to make its government responsible and accountable to its people. Village and grassroots elections are a start. They might be expanded – perhaps to counties and provinces – as a next step. China needs to reform its judiciary. It should open government processes to the involvement of civil society and stop harassing journalists who point out problems. China should also expand religious freedom and make real the guarantees of rights that exist on paper – but not in practice.

Ladies and Gentlemen: How we deal with China's rising power is a central question in American foreign policy.

In China and the United States, Mr. Zheng's idea of a "peaceful rise" will spur vibrant debate. The world will look to the evidence of actions.

Tonight I have suggested that the U.S. response should be to help foster constructive action by transforming our thirty-year policy of integration: We now need to encourage China to become a responsible stakeholder in the international system. As a responsible stakeholder, China would be more than just a member – it would work with us to sustain the international system that has enabled its success. Cooperation as stakeholders will not mean the absence of differences – we will have disputes that we need to manage. But that management can take place within a larger framework where the parties recognize a shared interest in sustaining political, economic, and security systems that provide common benefits.

To achieve this transformation of the Sino-American relationship, this Administration – and those that follow it – will need to build the foundation of support at home. That's particularly why I wanted to join you tonight. You hear the voices that perceive China solely through the lens of fear. But America succeeds when we look to the future as an opportunity, not when we fear what the future might bring. To succeed now, we will need all of you to press both the Chinese and your fellow citizens.

When President Nixon visited Beijing in 1972, our relationship with China was defined by what we were both *against*. Now we have the opportunity to define our relationship by what are both *for*.

We have many common interests with China. But relationships built only on a coincidence of interests have shallow roots. Relationships built on shared interests *and* shared values are deep and lasting. We can cooperate with the emerging China of today, even as we work for the democratic China of tomorrow.

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