



**China's Role in the World:
Is China a Responsible Stakeholder?**

**Statement by Thomas J. Christensen
Deputy Assistant Secretary of State for East Asian and Pacific Affairs
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Chairman Wortzel, Hearing Co-chairs Bartholomew and Blumenthal, Commissioners, thank you for inviting me to join you to discuss this extremely important topic, an issue that has important implications for our future. China's rising influence on the global stage is presenting all countries, as well as key global institutions, with new challenges. What role will China, as an emerging power, play in global economic and security organizations? Will China use its rising influence in ways that are compatible with U.S. interests, or will it seek to advance interests that undermine the global system, and the peace and prosperity it has provided for so many around the world? Will China's increased wealth and worldliness lead to a more open, transparent, and stable society at home? In short, will China emerge as a responsible global stakeholder or not? This is a question of vital concern to U.S. diplomacy in the 21st century and the answer to it will say much about what type of world we will see in the coming decades.

Almost a year ago, former Deputy Secretary Zoellick gave a speech in New York that made an important contribution to the debate over where China was headed and what U.S. policy should be in response. In that speech, he spoke of the vision and hope of China as a responsible stakeholder in the global system, a system in which China is already highly integrated and from which China was already enjoying substantial benefits. It is important to note, however, that former Deputy Secretary Zoellick did not say China currently is the responsible global stakeholder that he envisions. Rather, he emphasized that U.S. policy should focus

on urging China to become such a responsible global stakeholder. This is in fact the crux of U.S. policy toward China today, a policy that combines active engagement to maximize areas of common interest and cooperation, along with a recognition that we need to maintain strong U.S. regional capabilities in case China does not eventually move down a path consistent with our interests. As our relationship with China continues to expand, we seek to encourage China to join us in actions that will strengthen and support the global system that has provided peace, security and prosperity to America, China, and the rest of the world. As President Bush said when he welcomed Chinese President Hu to Washington in April, the U.S. welcomes the emergence of a China that is peaceful and prosperous, and that actively participates in and contributes to international institutions. As former Deputy Secretary Zoellick argued so clearly, we do not seek to contain China, but rather to help channel China's growing influence in a positive direction.

On the diplomatic front, we are working closely with China, engaging on an extremely broad range of issues in which we believe China and the U.S. have common interests. This includes many issues in which there are readily identifiable common objectives and we work cooperatively with China to create the means to achieve those objectives. It also includes issues on which we do not see eye-to-eye. On these issues we also engage, and we do so in a frank and candid manner that ensures that U.S. views are made clear. Our engagement with China takes place in many different forums, both bilateral and multilateral, and at many different levels. But it always has the same objective: seek to identify and maximize the areas in which we have common interests, build upon those interests to mutual benefit, and, in those areas in which we differ, encourage China to understand our concerns and change its behavior in ways that will advance not only our interests, but also its own.

Let me provide some examples. The U.S. works actively with China in most major international organizations, from the United Nations to the World Trade Organization, to regional organizations such as the ASEAN Regional Forum (ARF) and Asia-Pacific Economic Cooperation (APEC). Bilaterally, we engage China on economic issues through such annual meetings as our Joint Commission on Commerce and Trade (JCCT) and Joint Economic Commission (JEC). We meet with China regularly to discuss non-proliferation issues, counterterrorism cooperation, law enforcement cooperation, global issues from environment to health, and science and technology cooperation. The Senior Dialogue, started by former Deputy Secretary Zoellick, along with our long-standing economic policy dialogue with China's National Development and Reform Commission (NDRC),

provide further opportunities for discussions at a broader, more strategic level. And, in addition to all of these regularly-scheduled meetings, each year we have an extremely robust schedule of exchanges between key policymakers. Most recently, for example, President Bush met with President Hu in Washington in April and in St. Petersburg in July. Chinese Vice Premier Wu Yi visited here in April; China's senior defense official and senior law enforcement officials visited here in July. In fact, it seems that hardly a month goes by in the year that we do not have a cabinet-level visit, either here or in China. Congressional exchanges are also numerous and frequent.

The U.S. uses each and every one of these opportunities to encourage China to work with us, in advance of common interests, to build and strengthen the global system, advance global peace, security and prosperity. We also use them to urge China to move more quickly toward strengthening respect for human rights and religious freedom, as well as introduce democracy to its system. We make clear to China that doing so is in China's own interests. A nation that is free and democratic, that respects and protects basic human rights, including the freedom to worship, is a nation that is more stable domestically and more respected internationally. As China engages the other great powers, its leaders and people will learn that wealthy and stable countries are liberal democracies. In engaging China and expanding our cooperation on areas of mutual interest, we are in effect encouraging China to act as a responsible global stakeholder. In short, the concept of China as a responsible global stakeholder is not only our objective, but a framework for a process that involves building an important and mutually beneficial relationship between our two countries.

So, how are we doing in this process? What are the prospects for China playing a more positive role in the global system? On both counts, I believe the answer is good, but much remains to be seen. On the prospects for the future, I am optimistic, for a number of reasons. First, China has bet its future on globalization and its ability to succeed in the global system. The Chinese people have reaped tremendous economic benefits over the past two decades from China's opening and engagement with the global economy. China can succeed only if the global system from which it derives benefit does as well. This gives China an enormous stake in the success of the global system. Second, I believe China has realized, and will continue to find, that the more it becomes a major part of the global system, the more its interests align with those of other major stakeholders, including the U.S. I believe we are seeing indications of this on many fronts. As Secretary of State Rice noted recently in response to precisely the kind of question that was raised by the Commission for today's session, our work on North Korea at the UN

is strong evidence of “the U.S.-China relationship working to solve problems in international politics.” Let me touch upon this and some other examples:

North Korea. China played a significant role in hosting the Six-Party Talks and helped broker the September 2005 Statement of Principles in which Pyongyang agreed to give up its nuclear weapons program. In the past few weeks we have seen China take unprecedented actions to express concerns to North Korea over its provocative missile launches, including working with the U.S. and others to pass the very strongly worded UN Security Council Resolution 1695, condemning North Korea for its provocative behavior and calling on member nations to take concrete actions to curb international assistance to North Korea’s nuclear and missile programs. We will work further with China to find ways to urge North Korea to make the strategic choice to abandon completely, irreversibly, and verifiably its nuclear weapons program; adopt more responsible behavior; and implement the Joint Statement.

Iran. China has stated that it shares our assessment that Iran must not obtain a nuclear weapons capability. Over the past year, we have worked closely with China to find a diplomatic solution to the issue. China has publicly endorsed the package of incentives and disincentives presented by the five permanent members of the Security Council and Germany (P5+1) to Iran. On July 31, the United Nations Security Council adopted, with China’s support, Resolution 1696, which requires Tehran to suspend fully its uranium enrichment-related and reprocessing activities by August 31. If Iran refuses to comply with UNSCR 1696, we will work closely with China on next steps, building on the July 12 agreement among P5+1 Ministers.

Afghanistan. China has stated publicly that it supports Afghan reconstruction and President Karzai’s efforts at national reconciliation. Since 2002, China has committed \$230 million to Afghanistan, including a new \$80 million pledge at the February 2006 London Conference. China volunteered for a seat on the Joint Coordination and Monitoring Board, designed to improve civilian reconstruction assistance in Afghanistan. China also has donated non-lethal equipment to the Afghan National Police. President Karzai met with President Hu and other Chinese leaders during his June 18-22 visit and initialed eleven agreements ranging from cooperation in fighting transnational crime to efforts to boost bilateral trade.

Iraq. China backed UN Resolution 1637, which extended the mandate of the coalition military presence in Iraq, and voiced support for December’s National

Assembly elections. China congratulated Iraq on the formation of its new government and welcomed Iraq's leaders to visit Beijing in the future. China pledged \$25 million in assistance to Iraq at the 2003 Madrid Conference, although it has not disbursed the funds to date. And it has begun negotiations with Iraq on debt relief, which could mean forgiveness of 80% of the approximate \$5.6 billion that Iraq owes China.

Burma. Although China contends that engagement rather than isolation and sanctions will make it less likely that Burma's political situation will destabilize, China joined a UN Security Council consensus in December 2005 to discuss Burma in informal Council consultations. China knows Burma's policies have led to a steady deterioration in the country's political, economic, and social situation, posing risks -- narcotics trafficking and others -- to the entire region. We are continuing our discussions with China on Burma.

Lebanon. China has expressed deep concern over the on-going situation in Lebanon and it has called for a cease-fire. We worked closely with China in the UN Security Council to pass a Presidential Statement on Israel's firing on a UNIFIL post, which caused the deaths of four UNIFIL observers, one of them Chinese. We have been in close contact with the Chinese in explaining our position that a ceasefire must be sustainable and lasting.

Sudan. On May 16, China backed a unanimous UN Security Council resolution supporting -- in principle -- the transfer of peacekeeping operations in Darfur from the African Union to the UN. As Chair of the UNSC in April, China, despite its reflexive hostility to sanctions, refrained from blocking a UNSCR 1672 resolution imposing sanctions on four individuals accused of involvement in atrocities. This marked the first time that targeted sanctions, including a travel ban and asset freeze, have been employed since the UNSC authorized such measures in March 2005. China has contributed personnel to peacekeeping operations in southern Sudan and has said that it would consider assisting a UN mission in Darfur.

Global Health. We've come a long way in this area. For example, China hosted a donors' conference in January 2006, where nearly \$2 billion was committed by donors to combat avian influenza. We are seeing increased transparency, quicker notifications and sharing of information with the World Health Organization, the U.S. CDC and other experts at combating global disease.

Energy security. I know this is an area of particular interest to the Commission. Our interests would suggest that China and the United States, as the world's two largest consumers of energy, should work together to improve supply security, expand the supply of non-oil and gas energy sources, lower demand, and increase efficiency of usage. We are making progress. China has been active in the Asia Pacific Partnership on Clean Development, an initiative to improve energy security and efficiency. It is working to host an Energy Ministerial in October, which would bring together the six largest energy consuming nations in the region (U.S., China, Japan, South Korea, Australia, and India) to discuss joint cooperation and solutions to our energy concerns. In September, China is hosting the second annual Energy Policy Dialogue with the Department of Energy, a bilateral forum for discussing mutual energy concerns and policy interests. More broadly, one of the major topics of discussion when we get together with the Chinese for broad, strategic conversations has been China's energy policy. Both former Deputy Secretary of State Zoellick and Undersecretary of State Shiner have discussed China's energy policies in depth with their Chinese counterparts. We are encouraging China to realize that the best way for it to pursue its energy security is to help strengthen global markets not to seek preferential equity deals with irresponsible and, ultimately, unstable regimes. China is improving its coordination with the International Energy Agency (IEA) and working to put in place a Strategic Petroleum Reserve to both reduce international concern for China's energy demands and improve its own energy security. We hope that in the long run, China can feel secure in its energy needs.

Of course, there are many areas in which the U.S. and China have very different views, and we never miss any opportunity to let China know of our concerns:

Human Rights and Religious Freedom. China's record on human rights and religious freedom remains extremely poor. We monitor this issue very carefully and work hard to present a balanced view each year in our annual human rights report. We continue to urge China at every opportunity to respect the basic human rights of its people, rights that are not only in some cases provided in China's own constitution, but are also internationally recognized standards. We make clear to China that it should have no fear of organized religion – the most successful and advanced countries in the world recognize and respect the freedom of their people to worship in each individual's own way, and China should not be an exception if it wants to be a success. China needs to introduce democracy, good governance, and the rule of law, and expand the role of civil society -- all critical to ensure any country's stability and sustained growth in the information age. These are in

China's own interests and we hope China will come to that realization. We seek to convince patriotic Chinese that such reforms will make the Chinese nation stronger, not weaker and to counter the cynical argument that U.S. support for freedom and democracy in China is a veiled attempt to destabilize China and prevent China's rise as a great power.

Trade/Economic Imbalances. China's economic growth has been rapid and both our countries have benefited from China's membership in a rules-based trading system. U.S. exports to China have risen more than 20% a year since China joined the WTO in 2001. Nevertheless, as then USTR Portman observed in February, the "U.S.-China trade relationship lacks equity, durability, and balance in the opportunities it provides. This disparity is due in part to China's failure to honor certain commitments." We work hard in our bilateral exchanges to urge China to address the causes of the imbalances, including China's huge global trade surplus and its need to move more quickly to introduce greater exchange rate flexibility.

I believe China appreciates the problems created by its production overcapacity and trade surpluses, and is trying to find ways to address them, primarily by stimulating domestic demand. However, we continue to make clear to China that the major economic imbalances between China and the rest of the world erode political support for strong relations with China and encourage the forces of protectionism. We also have encouraged China to do more to advance the Doha Development Agenda, which would greatly enhance the economic prospects for many countries. The process has reached a major impasse, and we believe that China should play a more active role, commensurate with its economic size and performance.

Non-Proliferation. We have a mixed record with China in addressing what should be our common interest in stemming the proliferation of weapons, especially those related to missile technology and weapons of mass destruction. I believe China's awareness and understanding of the importance of this issue at the strategic level is growing, but it needs to do more to rein in the proliferation activities of its own companies. The United States will continue to make clear that such activity by Chinese entities threatens China's security, just as it threatens global security, and we expect China to do more to adhere to international nonproliferation principles. China's experience in working in the UN Security Council on the issues of North Korean and Iranian missile and nuclear programs is doing much to raise China's awareness of the importance of working with us on these issues.

China's Military. China continues to modernize its military, including making major increases in defense spending and acquisition and development of increasingly sophisticated systems. To some extent, this is a natural consequence of China's growing economic means and the comparatively outdated nature of its armed forces. Nevertheless, the lack of transparency on the pace, scope, and direction of China's military modernization will continue to be of concern to us and to China's neighbors. We also note the rapidly growing capabilities arrayed against Taiwan that risk disrupting the status quo. We respond to those increases in accordance with our obligations under the Taiwan Relations Act. We note Beijing's refusal to renounce the use of force against Taiwan. Beijing needs to reduce those threats and to increase cross-Strait dialogue, including direct talks with Taiwan's duly elected leaders. In keeping with Presidents Bush and Hu's commitment to enhance bilateral military ties, we continue to press China to be more forthcoming about its military budget, doctrine and strategy in order to build confidence and improve the U.S.-China military relationship.

Some Final Observations

Let me stop there, but add a couple of observations.

First, China's global emergence is a natural consequence of its economic growth and development, and need not be seen as a threat to the United States. It does present challenges as well as opportunities. Through a strategy of preserving U.S. regional and global strength and engaging China constructively, we are working hard to ensure that China recognizes its own interest in supporting and strengthening the international system. I think China increasingly recognizes this interest and we are making progress in many areas of mutual concern.

Second, we must build on the foundations of cooperation while continuing to talk about those areas where we do not agree. We have already seen that the areas of mutual interest have grown over the past 27 years. I would argue that they will continue to grow.

With that, I would be pleased to take your questions.