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Shaping China's Global Choices Through Diplomacy

Vice Chairman Bartholomew, Commissioner Blumenthal, thank you for inviting me again to discuss with you the state of our relationship with the People's Republic of China.

The topic of this hearing is very timely. There is little doubt that China's regional and global influence is rising rapidly. My colleague David Sedney will discuss the military policies underpinning China's growing influence. I would like to speak about how United States policy has responded to the growing influence that has flowed from China's expanding diplomatic and economic engagement in the East Asia region and around the world.

Influencing China's International Strategy

I should say at the outset that the United States is not attempting to contain or counter China's growing influence, but rather to shape the choices that Chinese leaders make about how to use their growing power. In sharp contrast with the Cold War containment policy we applied to the Soviet Union, we are actively encouraging China to play a greater role in international diplomacy and in the international economic architecture, albeit for purposes that buttress international development and stability and, therefore, coincide with the overall interests of both the United States and, we believe, China itself. Accusations by hard-line nationalists in China that the U.S. is somehow trying to contain its rise simply do not hold up to scrutiny; since 1978 no country has done more than the U.S. to encourage

China's development and more active participation in global political institutions. The differences between today and the Cold War are not only recognized in Washington, DC, but by many in Beijing as well. The prevailing foreign policy view in China at present acknowledges that U.S. global influence, and even its active presence in China's backyard in East Asia, has provided the stable environment in which China has been able to mount its phenomenal and ongoing economic transformation. Without U.S. leadership and the stability it provides in various regions of the world, it would be difficult for China to secure the imported resources and overseas markets it needs to continue its rapid economic development. Chinese elites also understand that U.S.-led trade liberalization has provided China reliable markets for its exports and a rich source of foreign direct investment.

China's overall strategy toward the outside world starts with its desire to produce sustained economic growth and to maintain social and political stability at home. Related goals include countering perceived challenges to China's national security and territorial integrity and enhancing China's prestige on the international stage. All of its instruments of policy – economic, political, military and diplomatic – are employed to serve the aforementioned objectives and to meet the rising expectations of a population that has recently witnessed unprecedented levels of both economic growth and contact with the outside world. If Beijing believes that the best way to pursue these interests and to enhance its position in the world is through positive diplomacy and economic engagement, this strategy is greatly preferable to a world in which China pursues its goals through coercion and brute force.

Evolving Mechanisms for Diplomatic Engagement

A strong U.S. presence in Asia, backed by regional alliances and security partnerships, combined with a robust policy of diplomatic engagement, will help maximize the chance that China will make the right choices moving forward. In addition to maintaining strong political and security relationships in the region, we engage the Chinese government in over fifty dialogues, fora and working groups spanning subjects from aviation to counterterrorism to food safety to non-proliferation. These are meetings not just between our senior cabinet officials, diplomats and military officers, but also between working-level technical experts, and they facilitate frank exchanges and discussions of our respective policies.

Unlike bilateral interactions in previous decades, our dialogues with China do much more than discuss how to manage our bilateral relationship. They increasingly focus on how the United States and China can better coordinate efforts in tackling global and regional problems. For example, as a supplement to the Senior Dialogue, our premier dialogue on political and security affairs, we foster regular regional sub-dialogues between our regional Assistant Secretaries of State and China's Assistant Foreign Ministers to discuss how the United States and China can better understand and address the challenges that countries in those regions face. In previous decades, these diplomats might not even know each others' names, let alone interact in intensive discussions. Moreover, these are real dialogues, with both sides sharing their often very different experiences in the countries and regions in question.

China's Role in Multilateral Institutions

China has shown great initiative in its multilateral diplomacy over the past decade, proving itself adept at using its rising profile in multilateral institutions to pursue its national economic and political objectives. China has not only been increasingly active in existing institutions of which the United States is a member, most prominently the U.N. Security Council and APEC, but also institutions and groupings of which China itself has been a prime architect but that do not include the United States, such as the Shanghai Cooperation Organization or the ASEAN + 3. While some worry that these latter groupings are designed to drive the United States from the region, in general we do not view them in that light. We have confidence in the strength of our presence in Asia, based firmly upon our multiple alliances, security relationships and economic engagement, and have communicated to the Chinese and others that the various regional groupings should be transparent and should complement, rather than undercut, existing institutions and security relationships. Neither we nor the regional actors view the healthy competition in the region for beneficial economic opportunities and diplomatic influence as a zero-sum game, and all regional actors prefer to maintain positive relations with both China and the United States.

In general we view China's greater participation and assertiveness in multilateral institutions as a positive signal that China intends to address its concerns through dialogue and building consensus within these institutions rather than outside of them. We believe that this approach has helped

stabilize East Asia to the benefit of all, including the United States. East Asia is essential to the health of the U.S. economy. East Asia is also an important front in the war on terror and a region where our counter-terror efforts have been successful. Fostering a positive multilateral policy by China is, thus, key to U.S. interests.

In recent years China has supported an unprecedented number of key U.S. foreign policy initiatives in the United Nations Security Council, including sanctions resolutions against North Korea and Iran. We still see major problems in China's foreign policy on this score, however, and we continue to struggle with them. On some high-priority issues we believe that China's level of cooperation has sometimes not been consistent with its own stated foreign policy objectives, and sometimes has not met the standard of what should be expected from a country that claims to be a responsible stakeholder and constructive partner in creating conditions of global stability.

China's Influence in the Developing World

China has recently made some major economic inroads in the developing world, especially in Africa, Latin America, and the Pacific Islands, and in the process has deepened its bilateral diplomatic relationships in those regions. These efforts serve multiple objectives. First and foremost, China seeks to secure access to resources necessary for its continued economic development. Second, China believes it gains global prestige as the largest and most quickly advancing member of the family of developing countries. Third, mainland China competes with Taiwan for diplomatic allies on both continents and in the South Pacific, in part through preferential aid and investment policies.

In general, we believe that China's economic engagement with the developing world is a net positive for China and for the recipient countries, which need assistance, investment, trade opportunities, and expertise. Instead of trying to undercut China's efforts, we are trying to steer them in the same direction as the efforts by the United States, the European Union, Japan and international organizations like the IMF/World Bank so that our combined efforts can be most effective. We are concerned that by giving aid without conditions and without coordination with the international community, China's programs could run counter to the efforts by these other actors to use targeted and sustainable aid to promote transparency and good

governance. We believe that such conditional aid programs are the best way to guarantee long-term growth and stability in the developing world.

We likewise emphasize to our Chinese interlocutors that the short-term pursuit of direct resource purchase agreements with problematic regimes will neither satisfy China's demand for natural resources nor guarantee its energy security in the long-term as effectively as fostering the efficient and transparent functioning of global resource markets. Here again our approach is not to try to prevent Chinese companies from accessing the resources China needs to continue to grow, but to encourage China's active cooperation with existing multilateral organizations such as the International Energy Agency.

We believe that China can make positive contributions to economic growth in Africa, Latin America, and the South Pacific through increasing both direct investment and foreign assistance, and can serve as an exemplar of how pragmatic economic policy and trade openness can lead to increased literacy, managed urbanization and poverty reduction. We want China to harmonize its overseas investment and foreign assistance practices with those developed by international institutions like the IMF and World Bank, and to coordinate with the U.S., EU and other major sources of aid and investment to ensure that China's programs do not undermine the objectives of our programs, and also to help China improve the success of its own programs. In this spirit, we hope to soon launch a new high-level dialogue with China on development assistance headed on the U.S, side by Director of U.S. Foreign Assistance Henrietta Fore.

China's Position on Key International Issues

In my written testimony to this Commission in February 2007, I delivered something of a progress report on how this Administration's strategic decision to engage China on several issues of bilateral and international concern had produced real results that have served important U.S. national security objectives. I also spoke candidly about several areas where the level of Chinese cooperation has been unsatisfactory or disappointing. I would now like to update the Commission on our engagement with China on key issues such as North Korean denuclearization, Darfur, Burma, and Iran. Then I will address our perennial concerns about China in the areas of human rights, the rule of law and democratic reform, and religious freedom. China must make progress in all of these areas over time not simply to meet

our demands or the requisites of global norms, but to guarantee that China achieves stable long-term social and economic development and gains the international respect that Chinese leaders and citizens all claim to desire for their nation.

North Korea. Even before its votes in favor of UN Security Council Resolutions 1695 and 1718, which imposed sanctions against North Korea in response to the provocative actions it took in connection with its nuclear weapons and ballistic missile programs, China had hosted and played a pivotal role in the ongoing Six Party Talks, aimed at denuclearizing the Korean Peninsula. The Talks would not have progressed as far as they have without China's support and will not continue to advance without its active involvement. We continue to consult closely with the Chinese to urge North Korea to comply with its commitments under the October 3rd "Second Phase Actions for the Implementation of the Joint Statement," including a complete and correct declaration of its nuclear programs.

Sudan/Darfur. China's recent participation in multilateral efforts to address the humanitarian crisis in Darfur provides a positive example of the value of U.S. engagement with China with respect to international hot-spots beyond the Asia region. As recently as July 2006, when I began working at the State Department, China's main role on the Darfur issue was to insulate the Sudanese regime from international pressure. But later that year, China began aligning with the international community to push a UN peacekeeping plan for Darfur. In July 2007 China voted for UN Security Council Resolution 1769 authorizing the deployment of UNAMID, the hybrid UN-African Union peacekeeping force in Darfur, which will allow a more robust peacekeeping presence on the ground there. Following one of our regional sub-dialogues on Africa, China also committed over 300 engineering troops to UNAMID, one-third of whom have already been deployed, making China the first non-African nation to commit peacekeepers to the Darfur region. We credit this change in part to the patient but persistent U.S. government consultations with China's leaders, along with the ongoing efforts of U.S. lawmakers and non-governmental organizations to highlight the need for the Chinese government to take responsibility and apply pressure commensurate with its substantial influence with the Sudanese regime. We cannot and will not be satisfied until there is safety for the people of Darfur, and we will continue to urge Beijing to press Khartoum to accept and facilitate the full UNAMID deployment that could help provide that safety.

Iran. The Chinese government has proclaimed that it shares our strategic objective of preventing Iran from acquiring a nuclear weapons capability. China has also signed on to UN Security Council Resolutions 1737, 1747, and most recently 1803, applying sanctions on Iranian individuals and companies associated with its nuclear weapons and ballistic missile programs. At the same time, however, Chinese companies have expanded their trade and investment links with Iran, particularly in its oil and gas sector. We are very concerned that Chinese petroleum company Sinopec's recent two billion dollar deal to work with Iran to explore the Yadavaran oil fields sends a very wrong signal to the Iranian regime at a time when other oil companies are heeding their governments' wishes to forgo investments in Iran in order to press the regime to comply with UNSC resolutions and its obligations to the International Atomic Energy Agency. The Iranian regime uses its burgeoning trade with China as both a diplomatic shield and an economic lifeline, and we have expressed clearly to our Chinese interlocutors that preserving so-called normal trade relations with as destabilizing a regime as Iran's is not in keeping with China's aspirations to play the role of responsible global stakeholder.

Burma. We are urging China to use its influence to press the Burmese regime to engage in a genuine dialogue with democratic and ethnic minority groups that could lead to a transition to a representative, responsible government. Interestingly, the Chinese government has also issued public calls for stability, democracy and development in Burma, demonstrating progress away from strict adherence to the principle of non-interference in the domestic affairs of nations generally friendly to China. But we do not yet have a common understanding on what terms like democracy and stability mean to the Chinese or how Beijing envisions them coming to fruition. Our efforts to persuade the Chinese government that the Burmese regime needs to stop the brutal repression of its population's democratic aspirations have been frustrated in part by Beijing's insistence that the regime is making progress and that the UN Security Council is not an appropriate forum in which to address international concerns about Burma. We share Beijing's desire to avoid greater instability in Burma, which could spill over China's long border with Burma. However, we make the point that the regime's political repression and disastrous economic mismanagement have already created a situation that is both unstable and unsustainable, and stress that continuing that misrule will only result in greater turmoil in the future. Although we are disappointed with Beijing's refusal to support formal UN Security Council action, consultations are

ongoing, and the Chinese government has played a helpful role in convincing the Burmese regime to accept the visits of UN Special Advisor Gambari.

As shown in all of the above cases, it is possible for China and the U.S. to define shared diplomatic concerns and pursue common action to address them. The process is complex and arduous and the results are mixed, though they are, to anyone with a sense of the history of China's foreign relations, quite positive. It is quite difficult to support the contention that the primary motivation behind Chinese foreign policy is to diminish U.S. influence around the world. It is also worth noting that in recent years China's diplomatic activity reflects an evolution beyond its previously strict insistence on "non-interference in internal affairs of other countries" to a more pragmatic recognition of the merits and obligations of working with the international community on areas of concern. This is a positive trend in Chinese foreign policy that we should recognize and continue to support. In the past few years, on issues such as DPRK denuclearization, Sudan, Iran, and Burma, China has adopted policies that would have been hard to imagine several years ago.

Bilateral Issues: Economic Ties, Human Rights, Military Transparency

In this last segment, I would like to update the Commission on key bilateral issues, beginning with our economic relationship. Secretary Paulson and the Treasury Department lead the U.S. Government's senior-most economic dialogue with China - the Strategic Economic Dialogue. The U.S. Trade Representative and the Commerce Department chair the Joint Commission on Commerce and Trade (JCCT). Through these bilateral mechanisms and a wide array of other channels we are working to address bilateral economic imbalances and to further progress on other issues such as market access and weak intellectual property rights enforcement. We believe that our prescriptions for Chinese reforms are not only good for American businesses and consumers, but also essential to China as it attempts to rebalance its growth strategy to sustain high levels of domestic growth. Improving IPR enforcement, for example, will be critical if China wants to foster the growth of indigenous, knowledge-based industries.

We note that protectionist sentiments are growing both in the U.S. and in China, as are concerns about increased acquisition activity by Chinese firms and high-profile investments by the Chinese government's sovereign wealth

fund. It is our firm belief that continued open dialogue on economic issues will be more productive than protectionism. At the same time, we believe that we should take full advantage of our two nations' membership in the World Trade Organization to pursue cases in which we believe China has engaged in unfair trade practices. China can, of course, exercise the same prerogative. Likewise, we believe that mechanisms like the CFIUS (Committee on Foreign Investment in the U.S.) process are entirely compatible with our general commitment to trade openness and an essential step in ensuring that this openness does not adversely affect our national security interests. Engagement has worked. The U.S. economy overall has benefited greatly from our relationship with China. In the five years after China joined the WTO in 2001 our exports to China grew at a rate five-times faster than our exports to the rest of the world. In 2007 our exports to China grew 18 percent, and imports grew 11 percent. China is now our third largest export market after Canada and Mexico.

Perhaps the single biggest problem in our relationship stems from the fact that the China's political system is so fully dominated by the Chinese Communist Party, which aims to preserve its preeminence and influence in part by exercising control over individual political freedoms that are fundamentally guaranteed in our American democratic system. The lack of a free exchange of ideas and the lack of legal protections for those espousing new ideas underpins a lack of transparency that is detrimental to China's foreign economic and security relations. Moreover, we believe that China must open up and develop its political, economic, and legal systems much further if China is going to remain stable as its society and economy adapt in a globalized and post-industrial age. In addition to offending those states that value such freedoms and protections for their own sake, China's unwillingness to achieve advances in these areas will, over time, make China seem less stable and less predictable with attendant negative consequences for China's foreign economic and security relationships.

We have not made much progress in encouraging the Chinese government to improve its poor record on human rights and religious freedom. In order to be a great and respected power, China must bring its human rights practices into compliance with international human rights norms and standards. To do so would remove a significant hurdle to better and more stable U.S.-China relations, and open up cooperation on a wider and more robust set of issues. Both the U.S. and China have an interest in improving our respective abilities to combat the threat of transnational terrorists and criminals, for

example, yet our cooperation is hindered by China's loose definition of what constitutes a terrorist or criminal offense. Where the Chinese government sees a threat to domestic stability or national security, other governments might simply see a peaceful expression of dissent. Our failure to speak the same language on human rights endangers our national security by potentially weakening our ability to fight together against a common threat. We hope that the planned restoration of our human rights dialogue this spring will provide an opportunity to narrow our differences on this score.

We also believe that political liberalization in China, to include improvements on human rights, religious freedoms, and press freedoms will be a source of long-term stability as China continues a national modernization program that has at times been accompanied by wrenching social changes. For example, the more freely religious groups are allowed to operate, the more they will be able to help provide a social welfare net to those segments of the population left behind by China's economic development. Similarly, a free press can be a valuable asset in the battle against official corruption and the popular discontent that it breeds. As President Bush has said, we urge China to use the Olympics as an opportunity to show greater openness and tolerance. Our lawmakers and NGOs should continue to play a useful role in reminding China that the American people will not completely understand nor be convinced about the usefulness of strategic engagement with China unless its government makes real efforts to guarantee to its own citizens the internationally recognized rights and fundamental freedoms that we hold dear. These freedoms are enshrined in China's own constitution and in the Universal Declaration of Human Rights, which Chinese diplomat Chang Peng-chun helped to draft in 1948. The recent unrest in Tibet highlights the need for China to address the longstanding grievances of its Tibetan minority population and to engage in direct dialogue with the Dalai Lama and his representatives. This is an issue we raise frequently at both the senior and working levels with our Chinese interlocutors.

On the issue of military transparency I will defer to my colleague Deputy Assistant Secretary of Defense Sedney for a detailed analysis, and just say that we remain concerned by the scale and scope of China's military modernization program and the general lack of transparency about the doctrine that guides it. We are very concerned with the Mainland's ongoing military build-up and deployment of advanced coercive capability on its side of the Taiwan Strait. Although there has been less overt saber-rattling in the

last few years, now there are a lot more "sabers." Mainland's efforts to squeeze Taiwan's diplomatic space cause us concern, and we are frank in urging Beijing to be more flexible in its approach to Taiwan and to reach out to Taiwan's elected leaders. While we have publicly opposed as pointless and destabilizing the current Taiwan administration's pursuit of its referendum to join the UN under the name Taiwan, we are clear in our support of the continuing vibrant democracy on the island, and will continue to honor our obligation under the Taiwan Relations Act to support Taiwan's legitimate defense needs. Both sides understand the U.S. expectation that any cross-Strait differences be settled peacefully and in a manner that is acceptable to the people on both sides of the Strait.

Conclusion

It should be obvious to the panel that we believe that this Administration's pursuit of an open and constructive strategic engagement with China is fully consistent with a continuing robust presence in Asia. Our strong defense of our regional and global national security interests and concomitant efforts to seek new areas to cooperate positively with China in both the diplomatic and economic realms presents the right combination of inducements and firmness to help moderate, outward-looking policymakers in China win the day against those who would raise the spectre of "containment" to rally for more combative and restrictive contacts with the U.S. and its regional partners. We must remind ourselves that China's essentially illiberal, one-party political structure is still far from monolithic. The varying voices within China's foreign policy apparatus are sensitive to the U.S. posture toward what the Chinese government and people recognize as China's most important bilateral relationship, a relationship crucial to enabling Beijing's primary objectives of delivering economic growth and safeguarding long-term domestic stability.

It is possible that in spite of the benefits that have accrued to China in the current U.S.-led international system, China will at some point in the future attempt to use its growing military power and political and economic influence to undermine this system and be able to inflict severe damage to U.S. interests. We must prepare for this contingency without allowing that preparation to become the core of our China strategy. Rather, we need to recognize that it is in the U.S. national interest to support the rise of a China that is prosperous and at peace with itself and the world.