

**CHINA'S EXPANDING GLOBAL INFLUENCE:
FOREIGN POLICY GOALS, PRACTICES, AND TOOLS**

HEARING

BEFORE THE

U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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MARCH 18, 2008
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April 21, 2008

The Honorable ROBERT C. BYRD
President Pro Tempore of the Senate
Washington, D.C. 20510
The Honorable NANCY PELOSI
Speaker of the House of Representatives
Washington, D.C. 20515

DEAR SENATOR BYRD AND SPEAKER PELOSI:

We are pleased to transmit the record of our March 18 public hearing on “*China's Expanding Global Influence: Foreign Policy Goals, Practices, and Tools.*” The Floyd D. Spence National Defense Authorization Act (amended by Pub. L. No. 109-108, section 635(a)) provides the basis for this hearing.

In this hearing, the Commission learned that Chinese foreign policy has changed in ways that have significant effects on U.S. national interests and foreign relations strategy. China has increased its engagement rapidly in regions abroad, and it is seeking to expand its economic, military, and political influence—in some cases at the expense of the United States. The United States faces greater interaction with Chinese diplomats through multilateral fora, and in many cases China is seeking to shape the behavior of these organizations through its participation. The Commission was told that to affect the direction of multilateral engagement, as well as to advance our bilateral interests around the world, the United States needs to have a more comprehensive diplomatic approach and defined policy towards China, continue engagement on multiple levels, and also hedge against the decline of American influence and international prestige.

The Commission received opening testimony from Deputy Assistant Secretary of State for East Asian and Pacific Affairs Thomas Christensen and Deputy Assistant Secretary of Defense for East Asian Affairs David Sedney. Deputy Assistant Secretary Christensen argued that the purpose of U.S. engagement with China is not to contain China's rise but to shape the choices of its leaders. Much progress has been made in the U.S.-China relationship, such as the diplomatic cooperation that emerged in the Six Party Talks with North Korea. However, Deputy Assistant Secretary Christensen noted that China's continued pursuit of energy agreements with Iran sends the wrong message while the international community is legitimately demanding compliance with international nuclear safeguards and the halting of highly enriched uranium production. Of note, Deputy Assistant Secretary Christensen announced that the United States will engage China in a new dialogue on development assistance to third countries in coming months. Concerning Taiwan, Deputy Assistant Secretary Christensen stated that while the United States opposes the referendum in Taiwan on seeking United Nations membership (that was conducted in conjunction with Taiwan's Presidential election in late March 2008), the Administration believes that China's continued military build-up on its southeastern coast fosters instability in the Taiwan Strait.

Deputy Assistant Secretary of Defense Sedney testified that China's rise presents an

opportunity for both it and the United States. The challenge is for China to translate its growing economic and military power into responsible action that strengthens the existing international system. As he explained, “to whom much is given, much is required.” Deputy Assistant Secretary Sedney highlighted China’s continued sale of conventional arms to Sudan as an example of activities by the Chinese government that are not responsible and do not promote international peace and security. Furthermore, Deputy Assistant Secretary Sedney stated that a continued lack of transparency about China’s intentions in its defense modernization compels the United States to hedge in its foreign relations and its military development against potential hostility in the future. Until the United States is persuaded that China’s intentions are peaceful, the United States must rely on this policy to ensure protection of its national interests. Deputy Assistant Secretary Sedney noted during testimony that progress on the military hotline continues to be made, and that this hotline offers an opportunity to build confidence between the U.S. and China’s governments.

In the second panel, Dr. Edward Friedman of the University of Wisconsin stressed that, in his view, engagement with China will not change the country’s behavior. China has become a successful superpower that is transforming the world in the direction it wants, and its first interest is to preserve the legitimacy and supremacy of the Chinese Communist Party. Dr. Mohan Malik of the Asia Pacific Center for Security Studies argued that China is not a fragile country, as many scholars purport. While the country faces internal challenges, the reality is that China has benefited greatly from globalization, and its external strength and influence continue to grow. According to Dr. Malik, China seeks a unipolar Pacific Asia—with itself as the hub among spokes—but seeks a multipolar international system that dilutes American influence.

The third panel of the day examined the economic and trade tools employed by China in its diplomacy. Dr. Lawrence Grinter of the U.S. Air Force’s Air War College testified that a central tenet of China’s economic diplomacy is its coordination of trade activities with infrastructure developments. For example, China’s investment in ports, roads, and hydropower development in mainland Southeast Asian nations correlates with China’s strategic goals for the region. China’s relationship with Burma is the most salient example. As Dr. Grinter noted, a steadily increasing flow of Chinese people and assets, including military assistance, into Burma has produced a compliant regime that allows China to take advantage of Burma’s natural resources and strategic position on the Bay of Bengal. Mr. Mauro De Lorenzo of the American Enterprise Institute stated that, in Africa, China’s trade and investment activities now are being linked to a political vision for Sino-African relations, which includes a policy of isolating Taiwan from the international community. China is challenging the U.S. and international financial institutions’ monopoly on aid to and investment in sub-Saharan Africa. Media scrutiny has promoted a change in commercial behavior, and Mr. De Lorenzo suggested that this may be a useful factor in holding Chinese investments accountable for their effects on local African communities and economies.

In the fourth panel on military and security tools, Dr. Cynthia Watson of the National War College testified that the People’s Liberation Army plays a role in the pursuit of

China's broader diplomatic agenda in Latin America. She cautioned that deeper military and economic relations with China will be sought by Latin American countries if the United States continues to evidence little diplomatic interest or involvement in the region. Colonel Phillippe Rogers of the U. S. Marine Corps spoke about a comparable situation in Africa. He reported that China provides package deals to diplomatic partners, including military education, arms sales, and participation of its armed forces in peacekeeping operations. Through these operations China not only is gaining operational experience but also is translating that involvement into regional prestige and clout. In his opinion, the United States, because it does not participate to anywhere nearly the same extent in African peacekeeping operations, is losing influence and power on that continent.

The final panel addressed China's use of diplomacy in the conduct of its foreign policy. Dr. Andrew Scobell of Texas A&M University argued that China is becoming increasingly comfortable and capable in utilizing diplomacy to promote the government's objectives. Ms. Lisa Curtis of the Heritage Foundation testified that, for example, China is expanding its diplomatic outreach in South Asia to counter a growing U.S.-India relationship, while at the same time it is balancing a strengthened relationship with its traditional ally, Pakistan. Mr. Andrew Small of the German Marshal Fund noted that China also is learning that it must balance its relationships with pariah states such as Burma with its broader diplomatic goals. In some cases, China takes on the role of brokering resolutions between these states and Western nations, and the United States can leverage this diplomatic approach to its advantage. Mr. Josh Kurlantzick of the Carnegie Endowment for International Peace recommended that the United States place greater emphasis on its public diplomacy and outreach to counter the effects of China's growing diplomatic reach.

The prepared statements of the hearing witnesses can be found on the Commission's website at www.uscc.gov. The complete hearing transcript will be posted to the website in April. Members of the Commission are available to provide more detailed briefings. We hope this hearing and its materials will be helpful as the Congress continues its assessment of U.S.-China relations.

Sincerely yours,



Larry M. Wortzel
Chairman



Carolyn Bartholomew
Vice Chairman

cc: Members of Congress and Congressional Staff

**CHINA'S EXPANDING GLOBAL INFLUENCE:
FOREIGN POLICY GOALS, PRACTICES, AND TOOLS**

TUESDAY, MARCH 18, 2008

The Commission met in Room 562, Dirksen Senate Office Building Room 562 at 9:22 a.m., Chairman Larry Wortzel and Vice chairman Carolyn Bartholomew (Hearing Cochair), and Commissioner Daniel Blumenthal (Hearing Cochair), presiding

VICE CHAIRMAN BARTHOLOMEW: Good morning, everyone. We'll go ahead and get started just before Dr. Christensen gets here. I'm Carolyn Bartholomew, the Vice Chairman of the Commission and the Cochair of this hearing with Commissioner Blumenthal.

Chairman Wortzel, do you have an opening statement?

OPENING STATEMENT OF CHAIRMAN LARRY WORTZEL

CHAIRMAN WORTZEL: Yes, I do. Thank you very much. Mr. Sedney, it's great to have you here. Welcome, everybody, to the third hearing of the U.S.-China Economic and Security Review Commission's reporting cycle. Today, we're going to examine the impact of China's expanding global influence and activities on the U.S. economy and on American security interests.

Our purpose in doing this is to gather information at the this point concerning the strategies and intentions of China's foreign policy and the tools they use to implement that policy so that as we prepare our annual report to Congress at the end of the year, we're able to consider the testimony here and other information we gather in the course of the year in preparing that report.

We want to look at all of the tools of power that Beijing uses-- diplomacy, economics and trade, their military and their diplomatic tools-- to advance national interests, and we expect that the witnesses that are in today will help us to understand these things.

We'll have people from government, academia and the private sector. The cochairs for today's hearing are Vice Chairman Carolyn Bartholomew and Commissioner Dan Blumenthal. I'll turn the hearing over to them, and I thank you all for your time and for being here.

**OPENING STATEMENT OF VICE CHAIRMAN
CAROLYN BARTHOLOMEW, HEARING COCHAIR**

VICE CHAIRMAN BARTHOLOMEW: Thank you, Chairman Wortzel. Welcome to our panelists and guests. Today, as he said, we are focusing on China's diplomacy and the expansion of its global activities and influence. Rather than exhaustively reviewing China's economic and security activities in regions around the world, we hope to bring to the forefront the motivations behind China's global activities and the tools with which those activities are conducted.

Since China's economic reforms under Deng Xiaoping, the government's attention to promoting economic growth has been accompanied by growth in its desire for power and influence. China has increased its bilateral and multilateral engagement and has reformulated the focus and objectives of its foreign relations, moving away from inspiring revolutions around the world to stating that it is creating harmonious conditions for peace and development.

Today, we will ask our witnesses to give us their views on what the impact of this change has been on U.S. national interests.

For decades, China's foreign policy attempted to spread Communist ideology, weaken the influence of Western nations including the United States, and to strengthen its role as a leader among developing nations.

As China's economic interests abroad have grown, its involvement in global affairs has become more complex. The question is has China's foreign policy really changed? If so, in what ways and how much?

These questions are interesting to examine in the context of Sudan where China refuses to divest itself of entrenched economic and energy investments despite the ongoing genocide in Darfur and the Sudanese government's refusal to quell the violence and end its support of the Janjaweed militias. And in Burma where China's continuing support of that country's military junta has provided diplomatic cover and economic investment in spite of the junta's brutal suppression of democracy activists and protesters last year. And in China's provision of financial support and infrastructure development to Sri Lanka, allowing the government there to escape criticism from its other aid partners for its human rights practices.

The impact of this change on U.S. economic and security interests is multifaceted. Countries such as Iran that might have succumbed to international persuasion to change their harmful practices remain buoyed by

China's economic support.

Countries that might have adopted transparency and anti-corruption measures if those were conditions for aid from international financial institutions and bilateral donors instead receive aid and debt relief from China that has no strings attached.

Some observers may assert that this financial assistance still helps the people in the recipient countries who are impoverished, but without transparency and anti-corruption requirements, it is difficult or impossible to be sure that much of the aid does not line the pockets of those in power or is not used by them to finance genocide, drug production and distribution, human trafficking, organized crime and other abusive activities.

These, in turn, can destabilize the international community and lead to crises, conflicts, and terrorism to which the United States often is called to respond.

As today's panelists address the use of China's economic and security diplomacy to extend its influence, I look forward to hearing those views on China's support of other regimes and governments, including those in Sudan, Venezuela and Burma, and on how we reconcile these relationships and activities with China's stated interests in becoming a responsible stakeholder and creating a harmonious world.

China is seeking to demonstrate that it is a responsible leading power, particularly in the face that it is presenting to the world, but the recent and ongoing situation in Tibet, however, raises serious concerns about the differences between what the Chinese government says and what it does.

Thank you, again, Mr. Chairman, and thank you to our witnesses. I look forward to their statements. At this time, I'll turn over the microphone to Commissioner and Hearing Cochair Dan Blumenthal for his opening remarks.

OPENING STATEMENT OF COMMISSIONER DANIEL BLUMENTHAL HEARING COCHAIR

HEARING COCHAIR BLUMENTHAL: Thank you very much, Vice Chairwoman Bartholomew and Chairman Wortzel. Thank you very much. Our celebrity guest has arrived--Secretary Christensen.

VICE CHAIRMAN BARTHOLOMEW: Bringing an entourage with him.

HEARING COCHAIR BLUMENTHAL: That's right. And thank you very much, Secretary Sedney, and your staff as well, for taking time out of your busy schedules to come testify before us today.

As Commissioner Bartholomew pointed out, we're looking at things from the perspective of China's foreign policy objectives and also the tools and instruments it uses to achieve those objectives, the military, economic,

diplomatic dimensions.

We have a panelist here in academia who has written, as have many others written, eloquently, that China's growth could be one of the largest threats to efforts throughout the globe to promote and consolidate democracy. And that's one of the issues we'd very much like to explore.

One potent example of this is the way China is employing its global influence to isolate democratic Taiwan as a top foreign policy agenda item. Whether it's trying to get countries to de-recognize Taiwan or trying to keep Taiwan out of international organizations, clearly China spends a lot of diplomatic energy on this particular issue, which would be consistent with claims that China is using its power to at least put the brakes on democracy promotion throughout the world.

As Commissioner Bartholomew pointed out, it's very difficult to look at China's internal behavior in isolation as we can see from recent developments. Tibet has an impact on countries throughout the region, whether it's India, whether it's the elections going on in Taiwan, having an effect there, so I think, I strongly believe that the growth in Chinese power and its continued authoritarian rule has an impact not just on the human rights and the civil rights of China's own citizens but has an impact on the rights of citizens with whom China interacts.

Commissioner Reinsch has a brief statement.

COMMISSIONER REINSCH: I just wanted to add a word before our witnesses begin to commend to the commissioners' attention a statement that has been submitted for the record by Dr. Ellen Frost, who is a Visiting Fellow at the Peterson Institute for International Economics, on "China's Impact on Regional Integration in Asia." Dr. Frost unfortunately couldn't be with us today, but I think it's a very thoughtful statement which is based on her book, *Asia's New Regionalism*.

Copies will not be available outside afterwards, but I hope that we can find a way to get copies to the Commission to look at. It's a very thoughtful piece that's done some groundbreaking work, mostly on the economic side, with respect to China's goals, objectives and tactics with ASEAN and other East Asian institutions.

Thank you, Madam Chairman.

VICE CHAIRMAN BARTHOLOMEW: Thank you.

PANEL I: ADMINISTRATION PERSPECTIVE

HEARING COCHAIR BLUMENTHAL: We're now going to move on to our administration witnesses, again, who have so generously agreed to come here and testify before us.

First, we'll hear from Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Tom Christensen, who is on leave in public

service now from Princeton University where he was a well-known academic, publishing many articles on China and Asian security issues.

And then from Mr. David Sedney, Deputy Assistant Secretary of Defense for East Asian Affairs, a career Foreign Service officer with much experience throughout China and Asia. We look forward to both of your testimonies.

Thank you.

**STATEMENT OF MR. THOMAS J. CHRISTENSEN
DEPUTY ASSISTANT SECRETARY OF STATE
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS
WASHINGTON, D.C.**

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

I've submitted a written testimony that's considerably longer than my oral comments today, which will be rather brief.

I'd just like to say the topic of this hearing is very timely. There is little doubt that China's regional and global influence is rising rapidly. Since the 1990s, China has not only become a much more powerful actor in East Asia, but it's also become an economic and diplomatic actor of importance in Africa and Latin America.

It has also become an important player in international energy markets in the Persian Gulf, in Western Africa and in Central Asia. China has since the 1990s embraced multilateralism, playing a larger role in the existing organizations like the U.N. Security Council and in creating new regional groupings and organizations such as the Shanghai Cooperation Organization and the ASEAN Plus Three grouping.

My colleague David Sedney from the Defense Department will discuss the military aspects of China's policy. I'd like to speak about China's expanding diplomatic and economic engagement in East Asia and around the world and the challenges and opportunities that those activities pose for U.S. foreign policy.

At the outset, I'd like to say that the purpose of our overall strategy toward China is not to contain China's rise, but to try to shape the choices of China's leaders as China's influence increases around the world.

In fact, we're actively inviting China to play a greater role in international politics and on the international stage, albeit for purposes that enhance the prospects of peace, stability, and economic development, and therefore serve U.S. national interests.

So what do we do to try to shape China's choices? I think first and foremost it's important to point out that one of our most important tools is

maintaining our strong economic, diplomatic and security presence in the region and around the world.

At the same time as we maintain that strong presence, we adopt a constructive diplomatic engagement strategy toward the Chinese leadership with the goal of maximizing the chances that China's current and future leaders will choose a constructive path and a constructive use for China's newfound influence, and not adopt policies that run directly against U.S. national interests.

For this purpose, we have an expanded set of over 50 dialogues, including the Strategic Economic Dialogue, led by Secretary Paulson at Treasury, and the Senior Dialogue led at the State Department by Deputy Secretary Negroponte which deals with political and security matters.

One notable aspect of our dialogues, in particular the Senior Dialogue, is that they are increasingly about more than just the traditional problems that we found in the U.S.-China bilateral relationship. Increasingly, they focus on how to coordinate U.S. and Chinese efforts on how to handle problems in third areas of the world.

There are plenty of challenges and problems that you can find in this process, but it's my opinion that if you look at this process as a movie instead of as a snapshot, you will see positive progress in our relationship in tackling those problems around the world, and I'd like to offer a few examples of the progress and some of the remaining difficulties that we face in addressing those problems.

I outline more cases in my written testimony. I'll just focus on a few here in my oral testimony. The most dramatic example of progress is our cooperation in the Six-Party Talks on North Korean denuclearization. The United States and China have worked very closely in that process. China has adopted policies that it would be very hard to imagine China adopting just several years ago.

It has hosted and been a very active member of the Six-Party Talks process. It has signed on to two U.N. Security Council resolutions condemning and sanctioning its longtime ally and neighbor North Korea.

Obviously, this is a difficult process and our goal is to get complete denuclearization, but on the U.S.-China piece, we see China pulling in the same direction as the United States, and we think that this is a real achievement for our bilateral relationship.

On Sudan, it's less noted in the press, but China has had a big change in its policy on Sudan in the time that I've been in office. When I first came into office in July of 2006 at the State Department, China's basic position on Sudan and Darfur was to say that China would protect the Khartoum regime, the Sudanese regime, from international pressure over its behavior in the Darfur region where genocide was being conducted.

In the fall of 2006, China's position started to change. It started to

align itself with the international community in backing the three-phase plan of U.N. General Secretary Annan.

In spring 2007, it pushed for implementation of the second phase of that three-phase plan, and it agreed to send over 300 engineering peacekeepers to Darfur. About a third of those peacekeepers are now deployed and they constitute the first non-African peacekeeping force in Darfur.

China also signed on to U.N. Security Council Resolution 1769. Now this is real progress in China's Sudan policy. We're not entirely satisfied with China's Sudan policy. We continue to press China to use its influence to get Khartoum to allow that large third-phase force into Darfur to protect the innocent people of Darfur, and we will not be satisfied until those innocent people are protected, but I think it's important to note the shift in China's general policy on Sudan from where it was in the summer of 2006 to where it is at present. This is a process that we have to continue to work on.

There are issues that are more problematic, including Burma and Iran, and I'll just talk about Iran very briefly. Even on this issue, which is very problematic for our foreign policy, we have seen progress in China's foreign policy.

China has signed on to three U.N. Security Council resolutions sanctioning Iran, 1737, 1747 and 1803, but we remain concerned about China's overall relationship with Iran, and I've outlined some of the aspects of that relationship in my written testimony.

But I will just mention here that China continues to sign new energy deals with Iran at a time that the international community is putting pressure on Iran along economic lines, and we believe that this sends the wrong signal to Iran at this time when the international community is demanding compliance with the international community's legitimate demands on highly enriched uranium production in that country.

In general, we try to engage the Chinese on the question of energy security, of which its Iran policy is a part, by stating that China as a net consumer of energy should be concentrating its energy security efforts on guaranteeing free flowing markets for energy around the world. That is the best way to get energy security.

In addition, we're encouraging China to build strategic energy reserves, including petroleum reserves in coordination with the International Energy Agency and according to the norms set out by it, so that China will feel more secure using the marketplace and will be less likely to try to find its energy security by investing in areas with unstable or destabilizing regimes.

In the developing world, we are not envious of China's economic aid or investments in the developing world. But, as Vice Chairman Bartholomew laid out, we urge China to coordinate its activities better with the IMF and

the World Bank, with the United States, with the European Union, and Japan, so that we can continue to use assistance to create good governance, which is really the best way to have long-term development, peace and security in the developing world.

We plan to engage the Chinese this spring in a new dialogue on assistance led by Director of U.S. Foreign Assistance Henrietta Fore, and we hope to engage precisely on those issues.

In terms of multilateralism in the region, you see a lot of news articles, media reports, pundits who speculate, that because China is in the Shanghai Cooperation Organization and ASEAN Plus Three, and the United States is not, that therefore we are being “squeezed out” of the region.

That is not how we see China's engagement and multilateralism in the region. For two reasons we don't see it that way. First, we have our own robust presence in Asia through our alliances, our security partnerships, and international organizations and groupings of which the United States is a very active and full member, such as APEC and the ASEAN Regional Forum.

In addition, if we look at Southeast Asia in particular and China's economic and diplomatic engagement there, we believe in general that economic and multilateral diplomatic engagement there has been a force for stability in that region, which has big payoffs for the United States.

We have a big economic interest in the stability of East Asia and the economic development of East Asia, and we have a big interest in the security field in a stable Southeast Asia because that's one of the fronts on the War on Terror, and we believe stability in Southeast Asia is one of the reasons that our efforts in the War on Terror in Southeast Asia have been successful to date.

There are some serious problems in our relationship with China, and they relate to some of the earlier comments made by the commissioners, and many of those problems are related to the human rights situation in China and the lack of religious freedom in China. These problems have been underscored by the current tensions and unrest in Tibet and other ethnically Tibetan areas of China.

We also are concerned about media freedom, rule of law and transparency in general, both in China's domestic realm and in its foreign policy. We call for progress on all of these scores for freedom of the press, et cetera, and rule of law. We believe they're valuable in their own right. They are human rights and we believe that all people deserve them, but we also believe they have practical benefits for China, for its long-term stability as it grows, and also for its effort to reassure its neighbors that, as it becomes more influential, China's increasing influence will be a positive force and not a threatening one. And we believe it's very important as part of that package. We drive that home in our dialogues with China.

I think I need to conclude with a comment on Taiwan, and I'll stop

with that, and that is that on Mainland China's Taiwan policy, we consistently emphasize that we believe that the long-term build-up across the Taiwan Strait from Taiwan is a force for instability in cross-Strait relations, and even as we continue to oppose and criticize the referendum in Taiwan on applying to the U.N. under the name Taiwan, we still emphasize consistently and on every occasion to the Mainland Chinese that we believe the build-up across from the Taiwan Strait is a force for instability, that the mainland needs to reach out to the duly-elected leaders of Taiwan, and that the Mainland needs to be more open to Taiwan's gaining international space in legitimate and constructive ways.

I'll end the testimony with that, and I believe that this next election in Taiwan provides the Mainland an opportunity, and we urge the mainland to seize that opportunity to stabilize and improve relations across the Taiwan Strait as we move forward.

I'll turn it over to my colleague, David Sedney, and when I do, I would like to just say that it has been a great privilege working in the U.S. government with dedicated Foreign Service officers and other government officials, and David Sedney is a fine example. He's an extremely hard-working, extremely talented individual, and it's an honor to be up here with him today.

[The statement follows:]

**Prepared Statement of Mr. Thomas J. Christensen, Deputy Assistant
Secretary of State, Bureau of East Asian and Pacific Affairs
Washington, D.C.**

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.

HEARING COCHAIR BLUMENTHAL: Thank you very much.

MR. SEDNEY: With that, maybe I should leave.

HEARING COCHAIR BLUMENTHAL: Now you have to prove that.
Go ahead, Secretary Sedney.

**STATEMENT OF MR. DAVID S. SEDNEY
DEPUTY ASSISTANT SECRETARY OF DEFENSE
FOR EAST ASIAN SECURITY AFFAIRS
WASHINGTON, D.C.**

MR. SEDNEY: It's a great pleasure. Let me echo Tom's thanks to Chairman Wortzel, Vice Chairman Bartholomew, Commissioner Blumenthal, and all the commissioners here. Over the years since the Commission was founded, I've had the good fortune to engage with you and your predecessors, or some of you who have been out in China where I had the opportunity to host you. I really compliment you on the Commission for your service, for taking on this really important issue of China.

As we've discussed before, the rise of China really puts a lot of questions before us. China is clearly rising politically and militarily as well

as economically, and that presents a host of challenges, both to the United States and to China, as well as the rest of the world.

Like Tom, I have a written statement, which I've given to you. It's fairly short. I'm going to give an even shorter verbal thing and then move right into what I always find is the most valuable part for us, is the questions that you all ask and the opportunity to have a discussion.

As I said, this rise is happening, and the United States' position, the position of this administration, the president, is that we welcome China's rise. We don't oppose China's rise. We see China's rise as something that is an opportunity for us and for China. What we seek is for China to translate its larger economic and military and diplomatic power into being a responsible stakeholder.

You've heard that term, but I think it continues to resonate, and by that, we mean a China that behaves responsibly, that enhances the stability, resilience and growth of an international system from which no country has benefited more than China.

China has continued, continues today, and will continue to benefit from that international system, and as it benefits, as our president likes to say, from whom much is given much is required, and more and more is required from China as it becomes more of an actor in the international system.

We at the Department of Defense are charged, of course, primarily with the defense of the United States, of our people, of our interests, and we have a particular interest in the rise of China because of the aspects on the military side, where China is expanding the use of in many cases very traditional tools, military education, military sales, military exchanges, and which it does with a wide range of countries, not just in Asia-Pacific region, but in Latin America, Africa, and really throughout the world.

As China carries out these activities, we seek for China to carry them out responsibly in a way, as I just said, that enhances the stability, resilience and growth of the international system. The rise of China or any new power in the international system inevitably poses challenges, and difficult challenges, and as I said, those challenges are both for China and for the United States.

The challenge for us is how we handle that, and the way in which China is expanding poses some particular challenges that we've discussed before with you all, especially in the area of openness, transparency and our ability to understand what China is doing on the military side, how the very dramatic capabilities that it is achieving are tied to its strategic intent.

On February 27, Admiral McConnell, the Director of National Intelligence, testified before the Senate Armed Services Committee and mentioned, described the impressive scope and scale of China's military modernization, and said that as a professional military man, he found it

remarkable what they had achieved in the last ten or 15 years, and as we see, those remarkable achievements that they have accomplished, we again look at what are the ends to which they're going to use those.

In certain areas, this newfound influence and ability and this wider range has posed challenges to China that I think some of us would be familiar with in the United States government, and I'll use as an example China's decision to coproduce its FC-1 multi-role fighter with Pakistan.

This fighter requires an engine that's produced in Russia, and as China moved forward with its plans to produce this fighter, they found certain resistance from Russia because of Russia's existing defense relationships with India and some concerns on the Indian side about the fact that China was providing Pakistan with a more capable fighter, at actually a quite reasonable price, and at the same time because of the coproduction arrangements was giving Pakistan access to technology that Pakistan wouldn't have had otherwise.

So those questions of international responsibility, transfer of technology, the impact of your military sales on a regional balance. These were questions that China was facing in a new way and putting pressures on the way China does business rather than just doing business as normal.

How that plays out in the future, how that affects the strategic balance in South Asia, how it affects China's relationships with all the countries involved, is an evolving situation.

I'm not pointing this out as something that has an end point right now, but I'm pointing it out as a kind of challenge that a more internationally active, rising China has to face, and the challenge for China is to come up with answers that help the international system, as I said before, help its resilience and growth and don't lead to tears in the fabric of the international system that make it more difficult for not just China but the rest of the world to participate in the benefits of economic growth that come from stability.

Another example, and Tom has already talked about Sudan, so I won't spend a whole lot on that, is Sudan. Yes, in the area of Sudan, China has made a number of steps in terms of participating in the U.N. peacekeeping efforts and the things Tom described, but at the same time China continues to be Sudan's primary conventional arms supplier.

Those arms are then used by Sudan or its proxies in operations in Darfur and elsewhere that inflict death and destruction on some of the poorest and most vulnerable people in the world.

What does that do to the situation in not just Sudan but in Africa, as China continues that military sales relationship with the Sudanese? That, you can argue, and in fact we do argue, that that decision to continue those conventional arms transfers, the wide scale effort that China has in educating the Sudanese military, that that is not a responsible act that increases the stability of the international system.

Back in July, I spoke to all of you about Iran, and I won't replot that ground except to mention that we continue to have concerns about China's sale of conventional weapons to Iran.

There are other areas as I mention in my testimony, but my time is drawing to a close, and I want to just make one final point: that we believe that China is again an actor and it's where the decisions that it's making and the paths that it's chosen is not determined, but it's in the process of being determined. So we look forward to working with China and, as Tom said, shaping, helping China, and working with our other allies around the world in encouraging China to follow this path of responsible stakeholder.

At the same time at the Department of Defense, I want to assure the commissioners that we are fully committed to defending the interests of the American people, maintaining our commitments to our allies, maintaining our commitments under the Taiwan Relations Act, because it is our unshakable belief, my unshakable belief, that as we move forward in this process of working with China, we have to do so from a position of strength on our side, and with that, I'll close.

Thank you very much.

[The statement follows:]

**Prepared Statement of Mr. David S. Sedney
Deputy Assistant Secretary of Defense for East Asian Security Affairs
Washington, D.C.**

Vice Chairman Bartholomew, Commissioner Blumenthal, thank you for inviting me to appear before you today to speak on this topic. China's rapid emergence as a political and economic power with global ambitions has significant implications for the Asian-Pacific region and the rest of the world. The United States welcomes the rise of a stable, peaceful, and prosperous China, and it is our policy to encourage China to participate as a responsible international stakeholder by taking on a greater share of responsibility for the stability, resilience and growth of the global system. A natural outgrowth, indeed an intended effect, of this policy is a higher profile for China in the international community and increased visibility into China's behavior abroad. An important aspect of China's international behavior is that of its military activities. My testimony this morning will offer a Department of Defense perspective on the roles of the United States and China in the international system, and how China increasingly views its military activities as a tool of foreign policy.

The United States and China in the International System

The United States will always act to promote the interests of the American people, our allies, and our partners. Through our connections, our history, and our capabilities, the United States plays a unique role in promoting stability and security throughout the world. We promote political environments that support a free and open market economy, which history shows leads to increased stability and security.

The Defense Department's mission is to preserve U.S. military and strategic interests, and those of our allies and partners. We deal with all international actors, be they the European Union, India, Russia, or China, according to these principles. Creating a situation where the U.S. and China are seen as strategic rivals is not in the U.S. interest. The United States' strength and stature are measured by our goals and accomplishments, not by any type of crude

contest or comparison. We control our own destiny.

The rise of China, or any other country, may at times facilitate and at other times complicate this endeavor, but the only way our global influence and security can be diminished is by our own actions.

China's economy is certainly rising, giving China greater visibility and perhaps greater influence in international politics. China uses the same tools to pursue its interests that all nations use, and these include its international military activities.

Military Tools of Foreign Policy

We should examine not what tools a given country is using, but whether it is using those tools responsibly, whether it is using them in pursuit of objectives that are in the interests of the United States, our allies and partners, and the international community. When it comes to China's recent behavior vis-à-vis its military diplomatic efforts, especially involving conventional arms sales and peacekeeping activities, China's record is mixed.

As China's role in the international community expands, so does its responsibility. China itself is steadily, if gradually, coming to this realization. This has forced China to confront some difficult questions regarding its military diplomacy, especially in the realm of conventional arms sales. China uses these sales, as all countries do, both to advance its strategic interests and to make money. These two motives can, at times, be in conflict.

One example of this emerging dilemma is China's effort to co-produce the FC-1 multi-role fighter, which incorporates a Russian engine, with Pakistan. Perhaps unexpectedly, China discovered that this initiative put pressure on its relations with India, and Russia's relations both with India and with Pakistan. Perhaps for the first time, China is forced to consider the broader geopolitical implications of what were once mere commercial transactions.

Another example of the increased responsibility that accompanies China's broader role is the current situation in Sudan. China's commercial interests in Sudan mean that it is best served by stability in that country. However, China's conventional arms sales to Khartoum are assisting an irresponsible actor in an unstable area, and detracting from, rather than adding to, stability. China's own interests should force it to act in a more responsible manner. China's support for peacekeeping efforts both in the Southern region and in Darfur may suggest that China is beginning to awaken to its responsibilities. It remains to be seen whether China will draw a similar lesson regarding its continued conventional arms sales to Zimbabwe, which is also becoming a locus of instability in the region.

I recently traveled to China to participate in bilateral talks with my counterparts in China's defense establishment. One of the agenda items was our respective roles in Africa. The Chinese professed an interest in responsible behavior, and we are prepared to take them up on that. While of course ensuring that U.S. interests are protected, we are willing to look for ways in which the U.S. and China can work together cooperatively.

Regarding China's military diplomatic activities in Latin America, there are questions we know the answer to and questions that remain unanswered. For example, we are aware that the commander of China's strategic forces – the Second Artillery – visited Latin America in 2006. Yet we do not know the reason for this visit. Such unexplained activities lead to heightened concern not just among China's neighbors, but from the larger global community as well.

China has a strong military relationship with Russia, which is China's primary source of advanced military technology. China invites limited numbers of countries to its joint exercises with Russia, but has not included the United States. This feeds our doubts and concerns.

Chinese President Hu Jintao's attendance with Russian President Vladimir Putin at a recent joint exercise sends a clear message regarding the degree of cooperation between these two in the Shanghai Cooperation Organization (SCO). Exclusive security arrangements in Central Asia, an area that has suffered in the past, are not conducive to regional stability. That being said, we are glad that the SCO has refrained from issuing further statements since 2005 regarding U.S. military bases supporting the War on Terror.

An additional tool of China's military diplomacy is the Professional Military Education (PME) and military training opportunities it provides to other countries. China's use of PME and military training has increased in recent years, at a time when the U.S. is decreasing funding for International Military Education and Training (IMET) for students from Asian countries.

China often purports to maintain a policy of non-interference in the internal affairs of other countries. As China is now realizing, however, there is no such thing as non-interference, as China's very size, economic and diplomatic presence inevitably impact others' internal affairs. Closing one's eyes to the impact, such as strengthening a repressive regime, does not negate its existence. I recently discussed this connection with Chinese researchers and academics, who appear to be confronting these difficult questions for perhaps the first time.

Conclusion

As I mentioned at the beginning of my remarks, China's increased global influence can at times complicate, and at other times facilitate, the United States' ability to protect our security and promote our interests, as well as those of our allies and partners. However, there are times when our own policies limit our ability to establish relations with foreign militaries, or when we choose to make a military-to-military relationship the first victim of a strained bilateral relationship. These policies provide China an opportunity to fill the vacuum that we leave behind.

It has been my experience that the interests, history, values, and capabilities of the United States and our allies will ensure successful relations with other countries. The only way for us to lose influence is if we restrain ourselves. Regardless of what challenges may arise, I can assure you that the U.S. is prepared to continue to uphold its responsibility for regional peace and stability.

Panel I: Discussion, Questions and Answers

HEARING COCHAIR BLUMENTHAL: Thank you very much to both of you and thank you also for agreeing to stay to answer some of our questions. I'll take the first question, more for Secretary Christensen.

There's a lot of writing out there, and as you know, academics can be correct sometimes. I'm not going to ask you to respond to something you might not have read, but there is some articulate writing about China's role in sort of a backlash against democracy promotion around the world.

In particular, people use the example of the "color" revolutions and China, perhaps Russia's, role afterwards in providing support to the Uzbeks, and other types of situations.

I think what we're really looking at today is the connection between a problematic human rights record within and how that might be exported without. We've touched on it a little bit in terms of the sale of conventional arms to Sudan, and again there's been some writing that China and Russia, some I think fairly persuasive writing, that China and Russia together are

trying to put the brakes on the consolidation of democracy promotion.

They actually find it quite threatening. The CCP finds the European and American efforts to promote democracy abroad quite threatening and therefore are working to stem that tide. Could comment on that?

DR. CHRISTENSEN: Thanks very much. It's an excellent question, and we don't just have to cite American academics or academics in Europe, but we could also cite Chinese academics in these discussions because Chinese academics have written that these color revolutions do pose a challenge to China and that China needs to somehow protect itself from these color revolutions.

China's domestic situation is an important factor, as I suggested, in China's ability to reassure its neighbors as its influence increases. But I would say one thing that I think is very important to note about this process of engaging China and trying to shape its choices: there has been a change in China.

It's still somewhat subtle, but it's quite marked at the same time: a move away from China's traditional foreign policy principle of noninterference in the internal affairs of other states that have friendly relations with Beijing to a position where China is increasingly realizing that as a responsible member of the great power community, it's going to need to become more active in stabilizing situations around the world, so that domestic problems in certain countries don't spread to other countries nearby and so that China's own borders are stable. This is a really positive evolution we believe in China's foreign policy.

It doesn't get them into becoming promoters of color revolutions so don't think that I'm naive in raising this, but it does get them to say things that, again, would be hard for us to imagine China saying just several years ago.

On the question of Burma, while we're not satisfied with China's overall approach, we have seen some progress in China's public statements on Burma and some of its actions. Again, we're not satisfied, but there has been some positive movement.

China has publicly stated that the Burmese regime needs to seek reconciliation and meaningful dialogue with the democratic opposition in Burma, and that it should also reach out to the ethnic minority groups. Such a statement from Beijing ten years ago would be very hard to imagine.

In Sudan, I agree entirely that the conventional arms sales are a problem, and we raise that issue consistently with the Chinese. I agree with Secretary Sedney on that score. The same goes for conventional arms sales to Iran, which we think is a negative for us. But the fact that China has sent peacekeepers in and is the first country outside of Africa to send peacekeepers in Darfur, again, is a big change from where China was just a couple of years ago.

Is China where we want them to be on these issues? No. Is China moving in a positive direction? I think the answer is yes. And the last thing I'll say on this issue, and I think this is important, both domestically and internationally--I'm glad you made that link--we have been encouraging China to adopt the rule of law and transparency in business interactions, and we believe that such an approach will encourage the Chinese to think about the rule of law at home as a foundation for the future of their political system, which we think has implications for eventual reforms that could affect a broad spectrum of Chinese life.

In foreign policy, we believe that as China invests more and more in the developing world, China will become more and more concerned about good governance in the places it invests. It only flows naturally from the notion that they're going to sign contracts in those places. We know that Chinese workers in various parts of Africa and other parts of the world have been kidnapped and held for ransom.

We know that China has had a rough time getting fulfillment of some of the contracts it has reached from some of its target countries. So we believe that for those economic goals, China may become more attuned to some of the demands of the international community, if not all of them, as it becomes more engaged in this process.

We think that's more likely to happen if the United States is engaged with the Chinese, encouraging them to come to these conclusions, than if the United States is not.

HEARING COCHAIR BLUMENTHAL: Thank you. Chairman Wortzel.

CHAIRMAN WORTZEL: Gentlemen, a minute or two ago when we began, Commissioner Reinsch mentioned this written submission by Dr. Ellen Frost, and in that written submission she introduces two interesting concepts:

She talks about the balance of power in Asia, which she assesses still clearly favors the United States. And then talks about the balance of influence in Asia, and she sees or suggests that the United States is losing this balance of influence, that the balance of influence is tilting toward Beijing and in Beijing's favor.

I'd like to see if I could hear your reaction to that suggestion. It's kind of related to what today's cochair, Commissioner Blumenthal, asked first, but also whether that, if you think that concept is valid, are there other places in the world where it should apply? How do you separate these things?

DR. CHRISTENSEN: I don't know if my colleague wants to start, but I'd be happy to.

MR. SEDNEY: Go ahead, Tom.

DR. CHRISTENSEN: Okay. It's an interesting distinction. Usually when people make that distinction, they make a distinction between material

power as opposed to political influence. And I haven't read the piece by Dr. Frost, and I have great respect for her--I look forward to doing so--but I don't know exactly what point she's trying to make.

I do think that China's influence has increased in the region, and as I said, diplomatically, economically, and I'll leave it on the military side to my colleague from the Defense Department. There's little question about that.

The question is how has it increased and has it increased in a way that serves U.S. interests or doesn't serve U.S. interests? And I don't think what we're trying to do there is to squeeze China's influence and prevent China's influence from increasing, but to channel China's influence in a positive direction.

I think if you look at the early post-Cold War era, what the United States was concerned about in the region was the lack of economic integration in the region. They had a sort of hub- and-spoke system with the United States trading with all the different states, but there wasn't a lot of economic integration among the regional actors and there was a lack of multilateral institutions to build confidence among countries that, as you know very well, Chairman Wortzel, have historical animosity, mistrust, et cetera.

They lack that network of confidence-building institutions that Western Europe had in large scale.

Basically, what we've seen in the interim is the development of some of those multilateral institutions that build trust among the regional actors and a huge increase in the economic integration of the region, both of which, all things being equal, are major forces for stability and peace that have implications for state interaction and also implications for the War on Terror.

So these have been generally positive trends. None of these positive trends could have been possible if China didn't step up diplomatically and start to become more engaged with the region -- it was relatively isolated in the early '90s from a lot of these regional activities -- or if China didn't open up its economy to all the regional actors and create the engine that created that economic integration.

That kind of increased influence is positive. What we need to make sure of is that we have a strong presence in the region, and we do, and we take it very seriously; that we have a strong alliance system and relationships with security partners throughout the region; and that we remain diplomatically engaged in the region to protect our own equities.

It's our strong impression that nobody in the region wants to make a choice of China over the United States or vice versa, and we don't see an occasion for them to have to make such a choice in the near term, and we want to keep it that way. So I would just raise it in that light.

MR. SEDNEY: Thank you, Tom. I think I certainly agree with everything that Tom said. The one point that I would add, and this is in the last couple of paragraphs of my written statement if you have a chance to look at that, but basically as long as we are working with other countries and doing it effectively and have the tools to do that, I think we are able to maintain, not just maintain our influence, but increase our influence.

And while I haven't read Dr. Frost's analysis, I've heard similar kinds of things, including from people out in the region, and one thing I think it's important for us to do is that we do continue our ability to deal with other countries, and there are times when we handicap ourselves when we put self-imposed restrictions. I won't get into the details of those, but I think we're all familiar with the kinds of things that sometimes prohibit us from working with other countries at periods of stress and strain in their own internal areas.

When there's a vacuum, then someone else is going to move in. So I think it's important, very important, that we maintain our ability to work with other countries and not lose influence that way, but when we're in a situation where we have access, the Chinese have access, again along with what Tom was saying, we're not seeing this as a battle for influence.

It's a way of us both, the U.S. and the Chinese, being able to act responsibly, and given the unique role that the United States plays in not just the security side of things, but politically in other ways, I think our influence will only not diminish, will grow, but we of course have to face the challenge of using that influence responsibly ourselves everyday.

CHAIRMAN WORTZEL: Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you. Commissioner Fiedler.

COMMISSIONER FIEDLER: Thank you. I have two quick questions, one for Mr. Christensen. You made reference to the Chinese statements on Tibet to reach out to the opposition and such things.

DR. CHRISTENSEN: Those are our statements, sir.

COMMISSIONER FIEDLER: No.

DR. CHRISTENSEN: We were requesting China to reach out to the Dalai Lama and to his representatives.

COMMISSIONER FIEDLER: On Tibet.

DR. CHRISTENSEN: Yes, we're encouraging China to reach out. I'm sorry, sir, if I wasn't clear. We're encouraging China to reach out to the Dalai Lama and his representatives and to address the very long-term and very real grievances of the Tibetan people.

COMMISSIONER FIEDLER: And what effect do you think that the current events in Tibet will have on their ability to stage the Olympics successfully?

DR. CHRISTENSEN: It's an interesting question that you raise. Our

position on the Olympics is that the Olympics are an opportunity for China to put its best face forward and show progress to the world, and we believe that progress is not only found on economic affairs but also in social affairs and human rights and rule of law and media freedom, and we believe that a truly successful Olympics by China will require them to show progress on these issues.

So I think these types of issues are relevant in that light. We're not, as a U.S. government, calling for boycotts or threatening boycotts of the Olympics, but we do believe the Olympics are an opportunity for China. We raise the issue on a regular basis, and we hope that the Olympics are successful, and to be successful, they're going to have to address some of these issues while the world is watching China, and the world will be watching China. China basically requested that condition by pushing hard to get the Olympics and we're glad that they did.

COMMISSIONER FIEDLER: The Chinese have claimed that the events in Tibet were planned outside the country by, quote-unquote, "that Dalai Lama clique." What's the State Department's view of that?

DR. CHRISTENSEN: We don't have any evidence one way or the other on that score, and I think you'd have to ask the spokespeople from Beijing what evidence they have to support that.

I would just say that the information that we have from the Dalai Lama himself is that he's calling for peace and he's calling for restraint among the Tibetans. He is critical of the violence and he has called for peaceful means. So that would pull in the direction against the statement by the public spokesperson for the PRC.

COMMISSIONER FIEDLER: Thank you. Mr. Sedney, just a quick question. Does the Defense Department view China's military modernization, as they claim, defensive in nature?

MR. SEDNEY: As my colleague Tom Christensen said about your earlier question, that's an interesting question. And that's a question that we ask them, and we still are seeking answers. A specific of that is the anti-satellite test that the Chinese carried out last January over a year ago. We asked them then, we've asked in the interim, I asked them two weeks ago when I was in China, for an explanation of that test, for a discussion of that test, and instead they've given us the same warmed-over two sentences.

So there's evidence that you can read both ways, but that link between the capabilities they're acquiring and their intentions is not clear, and that the longer it remains unclear, and the greater their capabilities grow without making their intentions clear, so that we can start responding to something in a defensive way if that's what it is, at the present time we have to essentially hedge against the worst possible outcome: the China that becomes hostile, the China that's developing these capabilities, in order to be a destabilizing factor.

We don't see that that's happening, but we also don't, we aren't able to learn enough from the Chinese to be convinced that that's happening. So it's a great question; it's one we continue to ask. I urge everyone when they deal with the Chinese military to ask that question.

COMMISSIONER FIEDLER: Thank you.

HEARING COCHAIR BLUMENTHAL: Vice Chairwoman Bartholomew.

VICE CHAIRMAN BARTHOLOMEW: Thank you very much and thank you, gentlemen. I'd like to actually return the compliment to both of you for appreciation for your service to the people of the United States through your government service. Mr. Sedney, you've got a distinguished career. Dr. Christensen, I think you've probably learned a lot while you've been here in Washington, and we look forward to seeing when you go back to the academic world at some point the lessons that you take back for your students and encourage their participation.

So thank you both really for your service, and we have really enjoyed interacting with both of you. I think we always have a frank and fruitful discussion.

A couple of things. There is so much we could talk about here. Dr. Christensen, you mentioned noninterference, and I find myself thinking, as China is changing its noninterference policy, how it interferes, where it interferes, and when it interferes? For example, its interference in Zambia's elections a couple of years ago, and it's hard for me to look at the Sudan situation and not see other things that the Chinese government could be doing.

Mr. Sedney, you mentioned the conventional arms sales, and I just wanted to make sure that our audience recognizes the extent of those conventional arms sales. Human Rights First just came out with a report that said China sold over \$55 million worth of small arms to the Sudanese government between 2004 and 2006, and in a lot of ways, to me there's an interference factor that goes on with that.

It also has consequences for the United States beyond Sudan. The region is awash in arms. We've got a destabilized eastern Chad. We've got problems in the Congo. How are we supposed to reconcile this distinction between what the Chinese government says and what it does?

DR. CHRISTENSEN: That's a terrific question and that really gets at the core of our basic effort. Again, I don't want to seem rosy-eyed and naive in my analysis of where things are and where they're going.

We have a lot of real challenges in pushing this agenda, this strategy that we have toward China, and we think that there are some real problems in China's foreign policy.

On the question of conventional arms to Sudan, that's obviously a big concern of ours. We don't have the specific data sometimes presented by

NGOs and others, but we appreciate seeing the data that they present. But we know that conventional arms have been transferred, and we think that's a bad thing, and we point that out to the Chinese.

My broader point is that if you compare where China is on Sudan today to where it was two years ago, China has made positive progress in its policy by aligning itself with the international community through the U.N. process, and by committing peacekeepers.

That doesn't mean that China is where we want them to be, and it doesn't mean that we don't think China can do more, and we do think that China can do more to get that large group of peacekeepers into the Darfur region as the third phase of that U.N. plan.

We urge China to do that, and when we do so, we don't think it's just in our interests and just in the interests of the people of Darfur; we actually believe it's in China's interests. It's in China's interests because a stable Sudan, a peaceful Sudan, is good for China's business interests in Sudan; it's good for China's international reputation as a responsible actor. It's good for regional peace and stability because the problems in Darfur have clearly spilled over into Chad. So, we think that this is in China's interest.

We try to approach these problems in that light, that we're not trying to steal anything away from you; we just think it's in everybody's interest including yours to look at this problem from a long-term perspective and to align yourself with the international community. We have really serious concerns about the suffering of those people in Darfur and the international implications of that suffering, and we want you to do the right thing on this issue.

And it's tough work; diplomacy is tough work, but we do think we're making progress and we'll continue to try. Thank you.

VICE CHAIRMAN BARTHOLOMEW: Mr. Sedney, anything?

MR. SEDNEY: Nothing. Again, Tom has phrased it very well. I think you also hit a great point in your question: the statement by the Chinese over and over again in the past, and in the present, too, of this policy of noninterference in internal affairs of others.

I had this discussion with the Chinese military two weeks ago: given China's rise, China has an impact everywhere. Everywhere it is active, it's having an impact, whether it's in Sudan, as Tom was just describing, or in Zimbabwe, where China is making concessional sales of fighter aircraft to a country that is behaving irresponsibly, and certainly has huge economic problems.

So by making that kind of sale, encouraging that sale, encouraging its defense industries to make that kind of sale, it's having a big impact on the ability of a country like Zimbabwe to address the needs and giving it perhaps a greater regional stature.

So the challenge for China is to realize that it's having that impact,

and whether they call it interference or impact, China has a role and has to play that role responsibly, and that's still the challenge that they need to step up to.

VICE CHAIRMAN BARTHOLOMEW: All right. I know my time is expired, but I just want to say, with your permission--

HEARING COCHAIR BLUMENTHAL: Of course.

VICE CHAIRMAN BARTHOLOMEW: --that I'll submit for the record several other questions, particularly relating to the ability of the Millennium Challenge Corporation and its new way to do foreign aid, to function in countries where the Chinese are there with no strings attached, and also a question regarding Sri Lanka. Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you. Commissioner Mulloy.

COMMISSIONER MULLOY: Thank you, Mr. Chairman. My questions will be directed to Dr. Christensen, and I want to preface them by saying I have no quarrel with the Chinese people. I know they had a bad 200 years and I welcome their increased prosperity.

You represent the State Department. I'm also an alumnus of the State Department. I started out there. But I had the great good fortune to work 15 years up here on the Hill with the Congress so I pay a lot of attention to the impact of our policies on the people because these folks up here have to get elected so they're much more in tune with our own people than maybe some people in the bureaucracies.

You state on page nine of your testimony: "The U.S. economy overall has benefited greatly from our relationship with China." And you go on to say and talk about how our exports to China have grown in the last year 18 percent; imports grew 11 percent.

What was our trade deficit with China last year, 2007?

DR. CHRISTENSEN: I believe our exports were about \$60 billion; our imports were about \$320 to \$330 billion. So there's about \$260 billion.

COMMISSIONER MULLOY: Yes, it was a little over that. It was closer to, I think, \$270 billion, my understanding.

DR. CHRISTENSEN: Okay. Yes.

COMMISSIONER MULLOY: Okay. So we had a \$270 billion trade deficit with China. You could not get that from reading your testimony because you guys are saying our exports are increasing 18 percent, imports only 11 percent.

Secondly, what is the total size of our cumulative trade deficit with China since 1990? Do you have any idea?

DR. CHRISTENSEN: I don't, sir. I'd have to get back to you to do the math on that.

COMMISSIONER MULLOY: You want me to tell you?

DR. CHRISTENSEN: I'm aware of the current deficit. Yes, please do.

COMMISSIONER MULLOY: Because I had our staff do the math.

DR. CHRISTENSEN: Please do.

COMMISSIONER MULLOY: It's about 1.6 trillion. 1.6 trillion since 1990. Do you know what the size of China's foreign currency reserves are?

DR. CHRISTENSEN: About \$1.4 trillion, I believe, sir.

COMMISSIONER MULLOY: Yes, and that's because they put 200 billion into their sovereign wealth fund. It would be about 1.6 trillion if they had not.

You go on in your testimony and to say: "We note that protectionist sentiments are growing both in the U.S. and China as our concerns about increased acquisition activity by Chinese firms and high-profile investments by the Chinese government's sovereign wealth fund."

And then you go on to say: "It is our firm belief we need continued dialogue and that that will be more productive than protectionism."

You use "protectionism" twice in a very short paragraph there to imply that people who might be concerned by the fact that the Chinese have 1.6 trillion of foreign reserves and have put 200 billion in a government-owned sovereign wealth fund and are now making major acquisitions in the American economy--by the Chinese government--this isn't private sector guys--that this somehow, this interest and concern is somehow protectionist.

I think I don't agree with that, and I don't think the American people agree with it, and that protectionism, as you call it, is growing. Maybe it's concern about the situation we're in that's growing.

Do you have any comment on that?

DR. CHRISTENSEN: Yes, I do. Thank you very much. First of all, thanks for your service in the State Department and on the Hill. I have great respect for that.

We take the trade deficit very seriously. We think it's artificially large. It's not the issue of whether there is a trade deficit or not. Any economist will tell you that in a bilateral economic relationship, there may be a surplus or a deficit. It's really a country's overall portfolio with the world, and China now has a current account surplus with the entire world. So it's not simply a function of its relations with the United States.

We believe the trade deficit with China is very large; we take it seriously. We believe that it's artificially large because of issues such as problems in intellectual property rights, protection, because of access to markets, and we deal with that in a number of ways.

COMMISSIONER MULLOY: What about currency manipulation?

DR. CHRISTENSEN: In currency--

COMMISSIONER MULLOY: Underpricing.

DR. CHRISTENSEN: I'll return to currency in a moment. On currency, we believe that currency needs to be more flexible, and we believe it needs to be revalued at a faster pace than it has been.

We engage with the Chinese through a series of dialogues and also through international organizations like the WTO and, when appropriate, through bilateral trade measures that we already have such as the countervailing duties measures that we raise with China. We've raised this several times over the last decade.

When I say "protectionism" in my testimony, what I'm referring to is that we don't believe that protectionist legislation on the Hill is the proper answer to the very real concerns that we share with people on the Hill and that we share with the American people about the problems in the bilateral relationship.

We believe that our engagement policy is working. Obviously there's a huge trade deficit with China. I'm not trying to hide that or mask that in any way, but if we look at how the engagement strategy has worked in this administration, if you go back to 2001 when China joined the WTO, our exports to China have grown five times faster than our exports to the rest of the world in the first five years since China joined the WTO.

In 2006, our exports grew by 34 percent. I cited last year's data because it was more accurate. So the trend lines of our growth in exports -- and China has become our third-largest export market -- we believe those trend lines are positive.

On the import side, in general, we believe that open markets and imports are a good idea, but we're concerned about other aspects of our trade relationship with China including product safety. We engage on that. We have a new memorandum of understanding with the appropriate organizations in China through the Strategic Economic Dialogue, and we're trying to deal with those issues.

So when I say "protectionism," I'm not referring just to concerns because I think we all have those concerns. The question is what do you do about those concerns and how do you operationalize those concerns in good policy, and we don't think that blanket legislation about currency and other issues is the way to go.

I'll finish with the currency issue. It is the case that we think that China needs to make its currency more flexible and move towards a market-based currency float. I shouldn't comment at great length about that. That's really the purview of the Treasury Department.

But I'd say that we've made progress through our dialogue, not satisfactory progress, mind you, but China's currency since 2005 has revalued 16 percent against the U.S. dollar. We think that's positive. It's not fast enough. We're not satisfied with it, but we believe that the approach that we've adopted is more effective than punitive legislation against China.

So we share the concerns. We don't share necessarily all the measures that flow from those concerns.

We address the Congress and the American people in that spirit.

Thank you very much.

COMMISSIONER MULLOY: Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you. Commissioner Esper.

COMMISSIONER ESPER: Good. Thank you. Thank you both for appearing here today. I have three questions. The first is whether either of you see any material progress in China with regard to political reform at the national level?

DR. CHRISTENSEN: Do you want to say something? You've returned from China more recently.

MR. SEDNEY: Well, here at the Defense Department, I actually will defer on that one to Dr. Christensen both with his State Department role and his academic work in this area, and really I think at the Defense Department we'll concentrate on defending America. But go ahead.

DR. CHRISTENSEN: I think to emphasize a point, this is all part of our general security strategy around the world. We support democracy.

We support political reform in countries like China, and we do so, again, because we think that it's not only good for us and good for China's relations with the outside powers, and that it's good for the 1.3 billion Chinese people, but also because we think it's good for the stability and economic growth of China over time for China to have a more robust set of stress release valves and points of entry for people who want to voice dissent and criticism, who want to point out corrupt practices through the media, et cetera, and we believe that this is a source of strength and stability around the world.

All the great powers around the world have this to a larger or lesser degree, and we believe China would benefit from having this as well. So we address those issues in that spirit. It's a complex question. There have been some political changes in China of note in the economic reform period. We don't believe those political reforms are deep enough or significant enough, and we continue to push China to do more.

There have been some administrative changes within the Chinese Communist Party. The Chinese Communist Party claims to have more democracy within the Party so, for example, they'll have more candidates for promotion to a certain set of positions than there are positions and have the members vote, but that's not what we view as liberal democracy, and we believe that that should be spread to the general population so that they can elect their own leaders.

The other place where there has been some democratic reform is at the local level. There have been local elections, many of which have been won by non-Communist Party members in various villages, et cetera, but it's our impression that the elected officials in those cases don't really have the full authority over regional affairs that you would expect of an elected official in

a true democracy.

So there are some signs that things could be moving in a positive direction. We think it's too slow. We believe that China's political reform should keep pace with its economic changes and we've pushed that for decades.

We'll continue to push it, and again I just want to underscore that we don't think that that's something that China needs to do for our sake. We think China needs to do that for its own sake and for China's own national prestige, its own people's well-being, and for the long-term stability of the nation.

COMMISSIONER ESPER: Thank you. My next question goes back to the EP-3 incident seven, eight years ago, to most recently the ASAT test last January. One explanation has been that there is a disconnect between the PLA and the Ministry of Foreign Affairs. That's one explanation.

Have either of you observed or experienced that? Are you concerned? Is there indeed a disconnect between the two or with the political leadership in Beijing?

DR. CHRISTENSEN: Turnabout is fair play. I'm going to pass the question.

MR. SEDNEY: And I'll accept. In a whole series of crises that we've had with the Chinese, you mentioned the EP-3, we had the bombing when we bombed the Chinese Embassy in Belgrade, another example.

CHAIRMAN WORTZEL: Always use the word "accidental."

MR. SEDNEY: The accidental bombing. Thank you, Larry. Thank you, Commissioner Wortzel.

COMMISSIONER ESPER: Unfortunate.

MR. SEDNEY: We agree with that, too. We have found that the way the Chinese make decisions, the way they respond to crises, and certainly the way we communicate with the Chinese in those situations is very problematic, and just how to assess where the difficulties lay, whether it's in internal communications between different parts of the Chinese government, or the way the decision-making structure at the top is structured, that is a matter--I know there's a lot of people both inside and outside of government who are looking at that, and I don't think we have any firm conclusions.

We have had, I think, in that area a good news story over the last several months where the Chinese Ministry of Defense has finally agreed to the installation, which is occurring this week, the actual technical installation of a defense telephone link between our Department of Defense and the Chinese Ministry of Defense.

And as we had the discussions with the Ministry of Defense on this, it was clear the real issues were not technical. Being able to set this up as a secure means of communication is not a challenge that in the end is very difficult for either side. We have the technology. It's the political decision

to put the phone in place and create the expectation that there will be somebody at the other end who will answer at times of stress crises.

The fact that the Chinese have done this, and we will have the link up and operational in the next day or two, we think is a big step forward. How effective it will be--okay--my staff, efficient staff, just informed me that it has been installed and is being tested today. Thank you.

HEARING COCHAIR BLUMENTHAL: Did they just get a phone call from--

COMMISSIONER ESPER: Let's hope not.

MR. SEDNEY: I hope not because this is a secure link, and so we should be in a secure environment for that. But this provides us the opportunity to see if the Chinese have made the kinds of changes or adaptations to their decision-making structure that will enable us to handle future crises, and I would like to think we won't have any, but experience leads us to a very different lesson, to do that effectively.

So I can't answer your question in terms of whether there's discontinuities between the different parts of the Chinese government. That's possible, but I do take a lot of heart from the fact that we do have this new defense telephone link in place and we do intend to use it as a way to build confidence and build a better way of handling these difficult situations with the Chinese government in the months and years to come.

COMMISSIONER ESPER: If I may, just a quick follow-up.

HEARING COCHAIR BLUMENTHAL: Go ahead.

COMMISSIONER ESPER: Please give me a 30 second answer for this question. How concerned are both of you or is the administration, that the Chinese military might take an action that drags all of us into a crisis that Beijing would prefer not to happen?

MR. SEDNEY: I think in terms of the overall control of the military, the military as a group, acting independently from the government and the party structure, I think the record over the last ten to 15 years has been that the government has control of the military on a policy level.

What I would say worries me more are the possibilities of something that appears to have happened in the case of the EP-3, where you have people at an individual level or the unit level who are in areas where a great deal of judgment is required to act and where people, certainly in the case of the incident with the EP-3, where the individual involved clearly did not behave responsibly, that kind of trigger that can then lead to a greater crisis, that continues to exist.

We have people operating very complicated equipment in very close proximity. To try and address that, we have a mechanism called the MMCA, the Maritime Military Consultative Agreement, arrangement. We had a meeting of that also about two-and-a-half weeks ago. I think we made some progress in coming up with better ways to address areas where there is the

possibility for friction, but that is still an area that I have concerns and we broadly in the Department of Defense have concerns.

DR. CHRISTENSEN: I would just agree with what David Sedney just said, and I think we have to make a distinction intellectually and for policy purposes between a military that's run amuck and is making big national security decisions without the civilian leadership. We don't see the Chinese Communist Party in that light. We believe that the civilians control the military and they control the big decisions that the country makes.

The question is: in a crisis situation, how does information work its way up through the military and civilian bureaucracies to the civilian leaders who control the system, and how do implementation decisions get made once a broad decision is made by the civilian leadership as it goes down the hierarchy?

Those things concern us and the lack of experience in military affairs of civilian leaders could be an issue. There are a lot of different issues and there are also structural problems, and that's the type of thing we study, and I just lay that out as the types of questions we ask.

I'm not providing answers to those questions, but we do think at a basic level that the civilian leadership, that President Hu Jintao, is in charge in China, and that the civilian leadership, the Politburo and the Standing Committee of the Politburo, are in charge in China in making big decisions about whether a crisis should or should not start if China were to initiate one.

COMMISSIONER ESPER: Okay. Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you. Commissioner Shea.

COMMISSIONER SHEA: Thank you both for being here. Commissioner Brookes had to leave for another engagement, but he asked me to ask you some questions so I will go ahead and do so.

HEARING COCHAIR BLUMENTHAL: The first proxy questions we've had.

COMMISSIONER SHEA: Yes, these are the first proxy questions of the year. His first question has do we have a dollar figure on Chinese arms transfers to the Sudan and, if so, how much?

MR. SEDNEY: On that, based upon the original questions we got from the Commission to set up for this, we have tasked a classified study on the issue of Chinese arms sales to different countries. That study is ongoing and we will be able to provide that for you in a classified briefing.

So I think in terms of the exact numbers, as we have them from the best information, I can't give that to you right now, but we checked right before we came over. This process will probably take several weeks, maybe a month or so, to really give you a good answer, but we'll provide that to you in a classified forum.

CHAIRMAN WORTZEL: Can I just interject here?

COMMISSIONER SHEA: Sure.

CHAIRMAN WORTZEL: I'm really pleased to hear that. We can set up in S-407 for classified discussions. Just to give you an idea, as your staff goes forward, we will begin really formulating the initial drafts of an annual report around August-September. So I don't know how long it will take you, but we would like to get together before that.

MR. SEDNEY: It will definitely be sooner than that, yes. I'm talking I think weeks or a month or so.

HEARING COCHAIR BLUMENTHAL: Mr. Shea.

COMMISSIONER SHEA: Maybe some of these other questions will be answered in this classified briefing, but let me just ask them and maybe you can put them on the record here, answers on the record here, or we can defer to the briefing.

Do these arms transfers, to your knowledge, violate any international agreements or U.N. resolutions?

MR. SEDNEY: Based on what I know now, the kinds of arms transfers that we're aware of do not violate any international resolution or U.N. resolutions or international legal norms. That said, we are, as we tell the Chinese, we are seeking a higher standard of behavior from the Chinese.

I won't replot the ground of responsible international stakeholder that I mentioned before, but just not doing anything that is illegal is not the standard that a country that has the size and influence and power that China does and the ability to impact events the way it does.

There are some specific areas regarding to the implementation of some of the U.N. resolutions where we have raised questions with the Chinese and where we have demarched them, but I'll have to defer on that to Secretary Christensen because I think the State Department has taken the lead on some of those exchanges.

DR. CHRISTENSEN: I would just say that for the reasons that David Sedney laid out so well, that we're opposed to conventional arms sales to Sudan regardless of the legalities of the sales because of the conditions in Darfur, and we think that it's a bad practice for China even if it doesn't violate any U.N. Security Council resolutions.

COMMISSIONER SHEA: Continuing Peter's line of questioning, are there PLA troops in Sudan and, if so, what are their responsibilities?

MR. SEDNEY: There are PLA troops deployed in the U.N. Force for Southern Sudan and also I don't know how much they've deployed for the Darfur. There's two U.N. forces there, in Southern Sudan and Darfur.

Tom, do you know?

DR. CHRISTENSEN: Yes, I can speak to that. There are forces deployed in Southern Sudan as part of the North-South Peace Agreement, which is another very important international initiative to stabilize Sudan,

and then there are 135 engineering troops in Darfur itself, and again that was the first deployment of non-African peacekeeping forces, and they're in there as part of a commitment of over 300 Chinese engineering troops to build the infrastructure for the third phase large deployment of peacekeepers to Darfur.

It's a very important task that they're undertaking and they've started their activities even though they haven't been able to build up. And I would point out that they're under threat. They've been threatened by rebel groups, and they've kept the forces in there despite those threats.

So this is something we really appreciate and approve of, and when China does the right thing on Darfur, I think it's very important for people to note it, to give China credit for it, because that's part of the process of convincing China to move in a positive direction instead of a negative direction.

There's plenty to criticize, especially if you rewind the film several years. There's plenty to criticize, but when they do the right thing, we need to congratulate them, and having those peacekeepers in there doing those tasks in harm's way we think is a very positive action on China's part.

COMMISSIONER SHEA: May I ask my own question?

HEARING COCHAIR BLUMENTHAL: Sure, go ahead. We have time.

COMMISSIONER SHEA: We were in India for about a day-and-a-half last year, and the term "hedging" came up frequently. I was just wondering, maybe for both of you, if you could give us your assessment of Sino-Indian relations, and more generally what is the sense among the countries that border the periphery of China about China's rise, and whether hedging is a concept that's part of their thinking as well?

DR. CHRISTENSEN: Do you want to go first?

MR. SEDNEY: Happy to do so. I think you'll find that our answers are pretty similar. Hedging is going on everywhere including here in the United States, and the need to hedge against those, the bad possible outcomes I mentioned before, is in many ways created by that opacity, that lack of transparency, lack of understanding of China's strategic intentions.

So that hedging is going on here in the United States. It's going on in India. I'd submit it's going on with every country around China as well, and the degree to which people hedge is, I think, determined by the degree of threat to which they feel they might be subject to in the worst possible outcome because if you're preparing, in our case, to defend not just the United States but to fulfill our alliance relationships and our broad security role in East Asia, when you don't know what the future is going to bring, you can't say when the future comes about, oh, sorry, we just assumed that China was going to be okay so we didn't make these preparations.

So we're not going to do that, as I said. We're going to take the actions that are necessary to defend our interests, but at the same time, if we can

have a better understanding and the other countries can have a better understanding, and understanding means not just looking at numbers and not just hearing some discussions, but really having an understanding of not just decisions, but how decisions are made, what's the background, that will help us in terms of seeing what's the range of possibilities we need to hedge against.

DR. CHRISTENSEN: I agree with everything that David just said. I think it's a very important set of points that he made. I would just add to it. There is something in addition to the standard hedging approach of maintaining a strong U.S. presence in Asia -- strong diplomatic presence, strong economic presence, a strong security presence in Asia -- as a hedging strategy because we don't know where China is going to be in ten, 15, 20 years, and I think that frankly most Chinese don't know exactly where China is going to be in ten, 15, 20 years. That's not a statement of pessimism about the future; that's just a statement about being prudent and being smart. I think our presence in the region is actually not just a hedge against a bad outcome. We believe our presence in the region is a positive shaping force for China's choices.

We believe by having a strong set of alliances and security partnerships in Asia, it makes it easier for those in the Chinese system-- and there are debates in the Chinese system even though it is a one-party state and it's an authoritarian Leninist system; there are debates within that system--it makes it easier for those who are arguing for a more accommodating, engaging, diplomatic strategy by China to win their debates within the system.

It makes it harder for hawks and those who would want to use coercive measures for China to increase its international prestige and influence to win the arguments when there is a strong set of U.S. alliances and security partnerships in the region, and we think that's a big part of the shaping strategy that's often missed.

You raised Sino-Indian relations, which is a good example. From the late 1990s to the present, the United States has really improved its relationship with India, particularly during this administration, and I think that that is important, in my calculations, and in my estimation and analysis, that is an important factor in China's outreach to India.

China has improved its own diplomatic and trade relations with India. I think in part, not entirely, but in part, because there are some in the Chinese system who are concerned about the U.S. gaining influence, and they're trying to find ways to improve China's own diplomatic portfolio in that context, and the ones who have won that argument are those who are trying to reach out to India diplomatically and economically, which we believe is in our own interest.

We don't wish bad relations between China and India. We don't wish

bad relations between China and Japan. We don't wish bad relations between China and South Korea, China and Thailand, China and the Philippines. We want them to have good relations, but we believe our strong presence in the region is one of the forces that makes China choose good relations. It's not the only one. It's a complex picture, but we think it's a positive force.

COMMISSIONER SHEA: Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you. I guess we're all hedgers now; right. Commissioner Reinsch.

COMMISSIONER REINSCH: Thank you. I want to pursue two small points that came up in passing. All the cool questions have already been asked so we have to get into the weeds a little bit.

Mr. Sedney, you referred in a previous dialogue with someone else to self-imposed restrictions on us. Can you elaborate on that and perhaps provide some examples?

MR. SEDNEY: These are specifically in the military area. There is I think a tendency when there are problems with a particular country or particular set of actions in a country for us to call on, to use the military card first, in other words, restrict our relations with another country's military, pull back from existing patterns that we have, and in my estimation, every time we do that, there's a danger of creating that kind of vacuum that I'm talking about.

I think we've seen that in a broad scale over the last 20 years, for example, with Pakistan, where over the last 20 years we have restricted our relations with the Pakistani military, with the result that you now see a greater influence of fundamentalist forces in the Pakistani military.

And I would definitely make the argument that if you look at the last 20 years at the United States and the United States military, had we been working with the Pakistani military, we would be much better off.

In that case, the vacuum that I was talking about was I think being more filled by fundamentalist forces than others, but I think that's a specific example of the kind of thing, is we put restrictions on what we can do, especially in the military engagement area, where we pay a price that sometimes we only see 20 or 30 years later.

COMMISSIONER REINSCH: Dr. Christensen, do you see similar problems outside the military arena, self-imposed restrictions?

DR. CHRISTENSEN: Self-imposed restrictions.

COMMISSIONER REINSCH: Or do you think he's wrong in what he just said?

DR. CHRISTENSEN: No, I don't think he's wrong in what he just said, not at all. I think he was talking about military engagement, military-to-military ties. We have robust diplomatic engagement throughout the region, and I personally think there are very good reasons why we have certain restrictions on our diplomatic activity throughout the region. So an example

doesn't pop to mind where we're prevented from diplomatic engagement.

I would say, however, that it is the administration's policy and it is also my personal opinion that it is unnecessarily difficult to get trade legislation passed with countries in the region, and I think that this is important for our economy.

We have benefited greatly from free trade and we should be pushing these types of agreements, and I think that it's a good thing for our security policy as well for us to have free trade agreements. So we're big champions of free trade agreements, and we think that that's often a restriction to our foreign diplomacy that poses challenges for us.

So that would come to mind, but in general I think we have some restrictions on our diplomacy in the region and the type of engagement we have with certain regimes such as the North Korean regime, and I think that those restrictions for the most part are appropriate.

COMMISSIONER REINSCH: Well said. Let me ask a different question then to you, Dr. Christensen. You alluded in your oral statement to Chinese energy deals with Iran, and I think it would be helpful for the Commission to know a little bit more about that. You might want to submit some information for the record.

The particular question that interests me is both, first, some facts on the extent of those deals, and particularly, the extent to which you know, how often or how frequently do--the press conferences announcing--these things actually end up with money changing hands and exploration in the ground? Can you elaborate on that?

DR. CHRISTENSEN: Yes, it's a fascinating and very well-informed question. We have the impression--

MR. SEDNEY: Excuse me. I have a sore throat and I'm going to start coughing. I'm going to walk out and I'll be right back.

HEARING COCHAIR BLUMENTHAL: Sure. Thank you.

COMMISSIONER REINSCH: Good thing I asked you this question.

DR. CHRISTENSEN: It's a fascinating and well-informed question. We've noticed that the Iranian official news agencies are a little bit unique in this and that they announce the same deal several times before it's been signed, and they seem to be doing this at times when the U.N. Security Council is considering various measures.

Not all those stories can possibly be true, obviously, since they can repeat each other over and over again. Eventually, sometimes the deal is actually signed and sometimes the deal isn't.

You also ask a very interesting and informed question about the details of these deals. We read the public reports and the statements out of China that there was a deal at Yadavaran, an oil deal, between Sinopec, a Chinese firm, and Iranian counterparts to develop the Yadavaran oil field.

We understand from those reports, those public reports, that it's worth

\$2 billion, which is a lot of money, and we believe that that deal runs against the spirit of the international effort that we're applying to Iran to comply with the international community's legitimate demands that Iran respect its obligations to the IAEA and to the U.N. Security Council to cease its highly enriched uranium production.

So we're quite concerned about it. Your question is also highly informed in that we don't know much about the deal, and one of the things we're doing now is asking the Chinese to tell us more about the nature of this deal, what's exactly in it, and this is one of the many problems we have with China's economic aid and investment strategy around the world, that we don't believe we know enough about it.

We'd like to learn more about what's going on, why it's going on, and how better to engage the Chinese in trying to coordinate China's economic efforts with these broad security efforts, and also with the economically based and good governance efforts that a lot of the conditional aid is aimed to secure.

COMMISSIONER REINSCH: I'm tempted to say you might also want to ask the Iranians for more information, but that may be expecting a bit too much.

Thank you. That was very helpful answer. If you develop further information on this, you might want to pass it on to us at a later date. Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you. We have time for a short round two. Chairman Wortzel.

CHAIRMAN WORTZEL: Gentlemen, I'd like each of you to clarify a point that you made in response to the proxy question from Commissioner Shea regarding Chinese military forces in Sudan.

Later today, we will have a witness or a panelist who in his written testimony and in articles in Armed Forces Quarterly quotes a Council of Foreign Relations report by Anthony Lake and Christie Todd Whitman that asserts that there are 4,000 Chinese military troops actively in Sudan.

I have seen that same quote in newspapers. I have endeavored over a two-year period to find anyone in the intelligence community that could count 4,000 troops or find them in a Chinese unit, and no one can. You gave us figures for Chinese troops. Do you believe that there are 4,000 Chinese military troops somewhere in Sudan or are they the U.N. forces that you cited?

DR. CHRISTENSEN: There's no contradiction here between U.N. forces and Chinese forces. The Chinese forces that are in Southern Sudan are committed to peacekeeping operations under the U.N. So it's not a question of whether they're Chinese or U.N. forces, and the forces in Darfur obviously are also committed under the U.N., the 135 forces.

Frankly, off the top of my head, I don't know how many troops there

are in Southern Sudan, but there is a substantial Chinese presence there, as there is a substantial Chinese military presence in U.N. peacekeeping around the world.

CHAIRMAN WORTZEL: Are you saying that it's a People's Liberation Army military presence in Sudan outside the U.N. force?

DR. CHRISTENSEN: I will turn this over to my returned colleague.

MR. SEDNEY: Yes. I apologize. I apologize. I have had this sore throat for way too long. I thought I came equipped with enough cough drops, but I didn't. I too have heard these same kind of reports over the last several years, Chairman Wortzel.

I've asked people in our intelligence community, and you could certainly, and maybe you already have asked, for a classified briefing on this, but I have seen no evidence of those 4,000 PLA troops, which in the report you're talking about does not talk about the peacekeeping forces, does not talk about the people in the Southern Sudan or in Darfur that Tom and I spoke about, and when the question was PLA forces, are there Chinese employed security people who work for the Chinese oil companies in Sudan, and that is a question, and clearly there are some security people there.

I have seen no evidence that these are PLA people who are engaged in security activities for the Chinese businesses or the Chinese oil companies that are there. But I understand it's a question that people keep raising.

I'd be happy to look at it again, both in a classified and unclassified way, and get back to you, but again my answer to yours is, no, I have seen no evidence that that is, in fact, the case.

CHAIRMAN WORTZEL: Thank you very much.

HEARING COCHAIR BLUMENTHAL: Chairwoman Bartholomew.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Again, it's the give and take is always so interesting. Mr. Sedney, the one thing I would say, you hit a nerve on the restrictions on military training, is just to remind you and other people that one of the reasons that some of those restrictions are in there is the belief of many in Congress that American taxpayers' dollars should not be doing things like training sharpshooters in Indonesia who turn their talents on their civilian populations. So there are a lot of dynamics that you know that go into those restrictions.

A second comment is that while I imagine that the list of countries that you are looking at in terms of arms transfers is classified, I would encourage you to include Sri Lanka among them.

MR. SEDNEY: It is.

VICE CHAIRMAN BARTHOLOMEW: Thank you. I would like to turn to Sri Lanka for a question that both of you can address.

Getting to the issue of influence and leverage, there was a story in the New York Times on March 9, the headline was which "Take Aid from China and Take a Pass on Human Rights." And it's about Sri Lanka, and it has the

Sri Lankan Foreign Secretary plainly saying that Sri Lanka's, quote-unquote, "traditional donors," namely the U.S., Canada, and the EU, had--quote again--"receded into a very distant corner" to be replaced by countries in the East, and he gave three reasons: the new donors are neighbors, they're rich, and they conduct themselves differently.

Dr. Christensen, you were talking about the U.S. engagement with the Chinese to try to get to some sort of balance, but I'm also concerned that we're losing our leverage. The question that came up or the issue that came up about Dr. Frost, that we're losing our leverage and we're losing our influence on other fronts.

As we're engaging with the Chinese to try to get them to be different in how they do it, what are we doing elsewhere in the region to counteract or counterbalance what they're doing in places like Sri Lanka?

DR. CHRISTENSEN: It's not in my portfolio, Sri Lanka policy, so it's difficult for me to talk in any detail about what we're doing in Sri Lanka to shore up U.S. influence. I can talk about the East Asia region where we believe our influence is strong. It's been shored up quite substantially, not just in our relationship with China where we believe we have influence, but we believe we have a very strong relationship with Japan, that the U.S.-Japan alliance is stronger than it's ever been before.

Before we discussed the other side of China, India, and we have very good relations with India these days, much better than we had during the Cold War, and one of the remarkable things about our foreign policy in general is that we've improved relations with Japan, China and India, all at the same time, and all these three actors have improved relations among themselves at the same time, and we consider that a great foreign policy success.

So we do think we have taken diplomatic and other measures to increase our influence and to support U.S. national interests. On the issue of aid, this is precisely why we want to engage the Chinese on these issues. We believe that when the international community is trying to improve governance in an area and improve economic practices and transparency in an area for the long-term economic benefit of that area, that it is counterproductive at the same time to have aid that runs against that policy and therefore may even undercut that policy.

And we don't think that there's necessarily any intention to do that. Unconditional aid is often offered by countries as a form of assistance, but we need to tell the Chinese that we think it's better for the long-term development of the target to have coordination between China and other donors -- the IMF and the World Bank and the United States, Japan, and the European Union -- that are giving conditional aid that is designed to shape the environment in those developing countries.

So that is a concern of ours around the world. That's why we're setting

up the new dialogue on aid led by Madam Henrietta Fore at the State Department, and we look forward to having that dialogue. That's our basic principle.

We have the Millennium Challenge Account, which you raised before. We think it's a fantastic program. We hope it lasts long into the future. The local country that is applying for U.S. aid writes a compact agreement and lays out what it wants to do with the money. That's vetted back here, sent back to them sometimes in an iterated process until we believe that there's a program in place that will maximize the long-term economic benefits of the aid that's given.

We think that's a terrific program. Obviously, that's a conditional program, and we prefer the conditional programs to the unconditional. I'll stop there.

VICE CHAIRMAN BARTHOLOMEW: One more piece. Thanks. Mr. Sedney, as part of what China is doing in Sri Lanka, it's building roads and a port. There is obviously some interest in what used to be referred to as the "String of Pearls." It might still be. But do we have any concerns about what they might be engaging in in Sri Lanka?

MR. SEDNEY: Again, I'll say that it's an area where we don't know enough about. I saw the same New York Times story that you've referred to, and the purpose behind the Chinese actions, and the Chinese do have an active exchange program, military training program with Sri Lanka, what are the Chinese intentions there?

Are the Chinese intentions reflected by the quote from the Sir Lankan that you mentioned? Are they trying to create an alternative aid paradigm where there are different kinds of strings attached? I would argue there's no such thing as no strings attached.

You may not see them or you may not want to see them, but what are the Chinese up to in Sri Lanka? That's something that I would say that broadly speaking we don't know, and we need to have a better dialogue, and we need to work with the Chinese to again stress the importance of their behaving in a way that strengthens the international system and doesn't weaken it.

And in the case of some of the activities in Sri Lanka, it's important to strengthen the international system. It is certainly important for us to be able to use the leverage that we have in Sri Lanka and the kinds of engagement that we can have in Sri Lanka both on the aid side, but also with the Sri Lankan military intelligence services, to be able to work with them and move that in a positive direction.

I think I'll stop there.

HEARING COCHAIR BLUMENTHAL: Thank you. We've run out of time. I'd like to ask a question just to be answered for the record, and that is as we encourage the PLA or the Chinese military to take a more active

role in peacekeeping operations abroad, are we confident, given the fact that we still have sanctions, Tiananmen sanctions, human rights concerns, are we confident that PLA officers as they go abroad in peacekeeping missions will act consistently with the type of international military norms that we see in democracies?

There seems to be a little bit of a paradox in trying to encourage more PLA participation when we still have concerns about their human rights activities. But again I'll take that for the record since we're out of time.

I'd like to thank both of you very, very much for very, very useful testimony and exchange and very generous with your time. You both have very important jobs and thank you for your service as well. Thank you.

DR. CHRISTENSEN: Thank you.

MR. SEDNEY: Thank you.

HEARING COCHAIR BLUMENTHAL: We'll take a five minute break until the next session.

[Whereupon, a short recess was taken.]

PANEL II: THE STRATEGIES AND OBJECTIVES OF CHINA'S FOREIGN AFFAIRS

VICE CHAIRMAN BARTHOLOMEW: Our second panel is intended to provide a broad yet deep perspective on the strategies and objectives of China's foreign policy.

Dr. Edward Friedman, Professor of Political Science at the University of Wisconsin, is a noted scholar of Chinese politics and foreign policy. He always gives us lively testimony. He has written multiple books and countless academic articles on the topic.

And Dr. Mohan Malik is a Professor at the Asia-Pacific Center for Security Studies in Honolulu. Professor Malik's research focuses on Asian geopolitics and proliferation. His most recent publication is "The East Asia Community and the Role of External Powers: Ensuring Asian Multilateralism Is Not Shanghaied," in the Korean Journal of Defense Analysis.

This panel will set the tone for understanding the strategies and objectives with China's foreign policy and provide us with a solid foundation for further examining the economic, security and diplomatic components to that policy. Thank you again to the panelists for joining us.

Just before I ask you to start, I wanted to say you're in Washington at the beginning of springtime. I know you're both very busy people, but I hope you have the opportunity to take a few moments and go out and see the wonderful trees, particularly the cherry trees that are just starting to bloom.

We will begin our testimony with Dr. Friedman.

**STATEMENT OF DR. EDWARD FRIEDMAN
PROFESSOR OF POLITICAL SCIENCE
UNIVERSITY OF WISCONSIN, MADISON, WISCONSIN**

DR. FRIEDMAN: Thank you, Commissioner Bartholomew. It's always wonderful to be with the Commission. Thank you, commissioners. I'm going to be brief. You have my written testimony. I'm basically going to relate to the previous conversation because I think you had a great conversation going.

China has risen. It's the other superpower, and the real question is what is the impact of that power? No one should have any doubt about its superpower status. Its GNP, by all estimates, is about to become the second in the world, and soon thereafter, it will become the largest in the world, and probably sooner than people have predicted, given the problems in the U.S. economy, the decline of the U.S. currency, the rise of the Chinese currency and so on. So far, given China's rise, almost everything has come faster than has been expected by the experts.

No Chinese leader doubts that America is their adversary. Beijing leadership treats America as its adversary because the primary interest of the Chinese rulers is to maintain permanently the Chinese Communist Party's monopoly of power. For reasons that were detailed in the first session, the United States is seen in Beijing as a promoter of democracy.

I want to comment on Mr. Christensen's earlier testimony as a way of clarifying issues. Representing the Administration, his job is to see the glass as half full, while I find the glass is seven-eighths empty.

Why is this? We have to understand what the Chinese success is. Beijing is not rising by military might. In fact, estimations of how it was going to rapidly build and use its aircraft carriers and a blue water navy to protect oil imports have time and again been proved incorrect. China's rising in economic prowess, diplomatic ability and cultural power. Meanwhile, American influence is declining, which also definitely serves Chinese interests.

Beijing's first interest is that it live in a world which is comfortable for the Chinese Communist Party, that the CCP's unaccountable monopoly of power not be threatened by the spread of democracy and human rights. CCP leaders believe it's good to have good relations with India and Japan, but it would be bad if India and Japan and the United States cooperated because that might lead to some effort to spread democracy in Asia. China has been very successful in making sure that such international cooperation and Asian rights promotion do not occur.

What is really at stake, as Commissioner Bartholomew pointed out, as

with the issue of military sales, is a political version of Gresham's Law. The consequence of China's rise is that it is very difficult to do anything that transforms authoritarian regimes because they can forum shop, that is, the dictatorships can reject OECD premised on good governance conditionality and instead take Chinese money which helps systematic abusers of human rights. Increasingly, the democracies have to compete on authoritarian China's terms. Increasingly, international relations works as a Gresham's Law, reducing the currency in which nations compete, devaluing democracy and human rights.

The Commission was told in the previous session, if a democracy wants to compete militarily with China, the democracy, too should be selling weapons to authoritarian regimes which use them to kill their own people. This is not only an American dilemma. We've seen India face the same dilemma in Burma. Democratic India does not want the military dictatorship in Burma just to be dependent upon authoritarian China. So India has to walk away from any kind of conditionality in order to compete on Chinese terms in Burma. Consequently, Burma has two forums in which it can shop. Since Burma can go to the Chinese shop, India has to forget good government conditionally in order to compete in China. This does not mean that China is not reforming politically. But what too many Americans think is that the only political reform is democracy. You can have lots of political reform without democracy. If the authoritarian Chinese government has its way, the CCP dictatorship will become less repressive and less corrupt. It will move in the direction of Singapore. But there is no interest As Commissioner Bartholomew has pointed out in Beijing in good governance criteria, if they mean democracy and human rights.

Engagement is not going to change China into a democracy . The CCP's most basic interest is to maintain its unacceptable, monopoly of power. China is not going to be bullied on this key matter. Meanwhile, China is not militarily aggressive. Yet, it really has become a tremendously successful superpower which is transforming the world in the direction it wants, a world that is more comfortable and friendly for the continued existence of the monopoly of power of the Chinese Communist Party in Beijing.

I'll stop there.

[The statement follows:]

Prepared Statement of Dr. Edward Friedman, Professor of Political Science, University of Wisconsin, Madison, Wisconsin

“Peaceful rise,” “peaceful development,” and, most recently, “harmonious society” are ever changing propagandistic or public relations covers for the actual content of Chinese Communist Party (CCP) foreign policy. The unchanging actual primary objective of ruling groups in Beijing is to build an international regime most likely

to maintain the CCP's monopoly of authoritarian power in China.

To achieve that objective, Beijing works to prevent the spread of human rights and democracy. The policies of CCP ruling groups have been a major force in staunching or reversing what had been called "the third wave of democratization." Whereas the rise of the European Union (EU) seemed to establish a link between prosperity and freedom, a rising China has broken that linkage and tried to establish a link instead between authoritarianism and development. This triumph of the CCP over the EU is manifest in Beijing's negation of conditionality and good governance regimes in Africa. Authoritarians, because of the rise of China and its global power, can now by-pass the forums established by the democracies and shop for money, loans, aid, weapons, and investment in the forums built by the authoritarian People's Republic of China (PRC). Sri Lanka has recently done this.

Throughout the history of the PRC, the CCP government has insisted that it adheres to the principle of non-interference in the affairs of other governments. During that time, it actually sent troops against Russians, Indians, Vietnamese, Koreans, Taiwanese and Americans. It helped forces trying to overthrow governments all over its region. Beijing pressures Nepal and India to suppress Tibetans who care about the fate of Tibetans in China. Beijing pressures democracies to put aside democratic freedoms so that visiting leaders from the PRC do not hear or see protests against human rights abuses in China.

Given the priority of economic modernization, some Chinese suggested that China's post-Mao, pro-economic development foreign policy line should be characterized as a "peaceful rise." They soon came under attack. Chinese critics said that the slogan might lead some governments to think that China was unwilling to use force to seize territory it claims as Chinese. Some day these territorial claims may include Mongolia. Military action to grab sovereign territorial claims, no matter how flimsy or contested, has been defined in the PRC as peaceful behavior. Similarly, the energy challenges that China faces leads the regime to want to leave open the possibility of using force to maintain access to energy resources. The theory of peaceful rise therefore had to be withdrawn.

The well-known slogans of the CCP – stability, non-interference, and multi-polarity – are ideological covers for narrowly self-interested CCP purposes – protecting the CCP's monopoly of power in China, helping authoritarian regimes around the world defeat the forces of democratization, and reducing the global influence of the United States and its friends and allies. These slogans can be as sincere and as attractive as was the American slogan of promoting freedom while supporting the royal family in Saudi Arabia and a military dictatorship in Pakistan.

But behind the PR phrases of Beijing are realpolitick goals. A so-called global harmonious society means a world order in which a supposedly uniquely moral China is a global pole for a hierarchical regime with China as its moral center. Harmony, in this Confucian perspective, presumes that there is only one sun in the heavens, only one tiger on the mountain top. The global pole ought to be a particularly ethical China. The Confucian theory of harmonious society could yet promote a racialism of Han Chinese superiority.

The CCP regime sees itself as promoting an economically successful gradualism, with gradualism signifying opposition to liberal constitutionalism, referred to by the CCP as "Western-style democracy." Beijing promotes putting economic and social rights ahead of political and civil rights. It believes that it has been responsible in pushing Pyongyang toward economic reform, feeling that regime implosion in North Korea leading to a united democratic Korea would be de-stabilizing.

Actually, despite its rhetoric about embracing fundamental human rights, Beijing does not promote social and economic rights. Its single party authoritarianism makes illegal women or ethnic minorities or carriers of the HIV-AIDS virus or religions or workers organizing and acting in their own interests. The PRC, after all, brought on itself the most deadly famine in human history. China is not an embodiment of economic and social human rights.

China has, however, defeated the international human rights regime. France has been richly rewarded for no longer

asking the U.N. Human Rights Commission to look into the authoritarian CCP's violation of the human rights of Chinese people. The PRC is the world leader in netizens in prison and journalists in prison.

In addition, far from actually promoting non-interference, the CCP regime pressures neighbors – Korea, Japan, Taiwan, and Vietnam – to rewrite their history texts so as not to include events which show things such as the history of China's imperialist military interventions in Vietnam and Korea. The CCP often makes it a prerequisite of normal relations with China that other governments have no official relations with Taiwan.

The CCP regime actually opposes what it propagandistically claims to embrace. The PRC projects its power in the Asian region in particular and the world in general to defeat peoples promoting democracy and human rights. It has done this in Burma and Cambodia as well as Korea. It depicts a robustly democratic Taiwan as a chaotic society promoting trouble in the region. Beijing courts Taiwanese elites, hoping that they will betray the democratic project in Taiwan, as Hong Kong tycoons betrayed the democratic movement in Hong Kong.

China has recently greatly pressured Pyongyang toward de-nuclearization and economic reform. Not all "interference" is bad. Beijing has also recently nudged the regimes in the Sudan and Burma to decrease a bit their monstrous abuses of human rights. But the general thrust of CCP interference is to help tyrants suppress democrats. This has been the case in Uzbekistan and Zimbabwe.

CCP policies aimed at making the world safe for authoritarianism mainly rely on China's new economic clout. It is worth mulling why Beijing has not used its wealth to rush to build a large navy to protect its sea lanes to sources of oil when the regime has experienced energy shortages since 1993 and many informed analysts have been predicting that China would be racing to build a blue water navy.

In general, since the military rescued the CCP on June 4, 1989 from a nationwide democracy movement, the military has been able to demand double digit annual increases in budget. A nasty and vengeful chauvinism has spread in China. Much wealth has been expended to create an armed force that can annex Taiwan and deter America from coming to Taiwan's aid.

Many analysts have argued that policy toward China should aim at its peaceful integration with international institutions. The CCP regime, however, promotes policies that protect its basic interests. It sees the dominant international institutions as serving American interests. Therefore, China's foreign policy is not to integrate in the existing institutions of the international order. To be sure, China uses those institutions functionally to advance Chinese purposes. It does not try to destroy them. It is not an out-and-out revisionist power. But the CCP regime understands those institutions as American or Western-dominated, meaning serving interests, such as democracy, which are incompatible with the authoritarian CCP's top priority of maintaining its legitimate monopoly of power. This is why China has undermined the international human rights regime and worked to offer an alternative to EU-promoted good governance conditionality.

China's rulers work to make their state a global pole of institutions friendly to Chinese purposes, an alternative to democratic, European or American institutions. Beijing prefers organizations where its interests can dominate. Its wealth dwarfs that of the IMF. The CCP regime, instead of working through APEC, where America has a major voice, prefers APT, ASEAN Plus Three, in which there is no democratic America or democratic India or democratic Australia. The CCP regime has fostered, with Russia, its own organization in Central Asia, the SCO (Shanghai Cooperation Organization). It too does not include America. China has gotten Uzbekistan to abolish American military bases. Beijing has begun to cooperate in BRIC (Brazil, Russia, India and China) efforts. Beijing is open to almost any international institution which includes China and excludes America.

Beijing has built its own organization for dealing with Sub-Saharan African and a similar organization for the Middle East. It prefers multilateral negotiations in which America and the EU are not principals. The PRC has

gotten involved in Peace-Keeping Operations (PKO) because it fears that otherwise American would use PKOS to foster democracy, as in East Timor or Kosovo. The anti-democratic core of Chinese foreign policy meshes with the regime's priority interest of survival.

A major assumption of CCP foreign policy is that democracy is an American plot to undermine the rule of the CCP. This is how the CCP interprets the so-called Color Revolutions as well as the independence of Kosovo. The bottom line in PRC foreign-policy is enhancing the likelihood of the persistence of the CCP's authoritarian monopoly of power. Evermore, at home and abroad, it appears that Beijing is succeeding.

Beijing explains democracy as a cause of chaos and decline. It focuses on Hamas, Yugoslavia and Lebanon. Therefore, Chinese people are conditioned to respond to American promotion of human rights as not in the interests of the Chinese people but as a part of an American plot to spread chaos and weaken China so that America can dominate the world. Chinese are socialized to hold very unfriendly attitudes toward the United States. School texts claim that the British-initiated Opium War had America as a black hand behind the curtain pulling the strings.

Chinese certainly are not taught how American foreign policy has served the most basic interests of the Chinese people. They are not told that an American-led coalition defeated Hirohito's militarist regime and forced General Tojo to end a cruel occupation of China. They are not taught how President Franklin Roosevelt fought to get China a permanent veto-wielding seat on the U.N. Security Council because Roosevelt believed that China's future rise would warrant it. They are not taught how Mao's Cultural Revolution both weakened the Chinese military and made an enemy of the USSR such that Mao had to turn to Nixon to deter Brezhnev from ordering a military attack on China in keeping with the Brezhnev Doctrine.

Chinese are taught instead that America is immoral and anti-China. The U.S. Government response to Hurricane Katrina was portrayed in China as exposing the inhuman reality of American Democracy. This anti-American propaganda is ceaseless. It is not based on a dislike of the American people. It is premised on the priority interest of the authoritarian CCP to discredit democracy.

The most important change in Chinese foreign policy priorities in recent years is the rise to a top spot on the national agenda of the energy issue. The belief in Beijing is that without sufficient energy, China can not grow rapidly and create enough jobs to maintain the social stability which keeps the CCP entrenched in power. In response to this recently experienced crisis, Beijing is working to centralize power over energy policy in a mega ministry. This switch also reflects a tendency of the Hu Jintao administration to see centralization as a domestic solution to regime problems.

The long term implications of this energy priority are still being debated among ruling groups in China. Some urge cooperation with neighbors to get drilling going in the South China Sea and the East China Sea. Others would ignore the interests of weaker neighbors, promoting hydropower dams on rivers coming out of the Himalayas, even if people to the south are injured. The CCP regime, recently seeing a potential mass action coming from the millions stranded at railroad stations during the 2008 Spring Festival because of energy shortages, is considering and re-considering all aspects of energy policy. Some Chinese ask, for example, since Chinese-owned oil firms sell most of the oil pumped in the Sudan to Japan, what's the point of China getting a bad reputation for Beijing's Darfur policies in the Sudan when Chinese consumers do not even get most of the oil? The energy arena is central to on-going policy debates. As Chinese demand has contributed to the rise in prices, so, in general, the policy choices of ruling groups in Beijing, an economic superpower, have global significance. It is these interests and policies and not propagandistic slogans which shape the direction of PRC foreign policy.

As the above outline suggests, China's major tools in winning friends have been the fruit of China's extraordinary, sustained economic rise. The CCP is proud of its achievements. It wishes to be known for being responsible for most of the world reduction of poverty since 1980 and not for providing arms to the genocidaires in Darfur.

Therefore, China is trying to back up its economic clout with soft power. It self-confidently promotes China as a moral global center. It promotes Confucian Institutes all around the world to teach people Chinese and to introduce them to a constructed history of Chinese culture and history in which China is uniquely benign and wonderful. China is increasingly open to international students and tourists.

For the moment, the people with the policy initiative in Beijing see a successfully rising China. Time, in their view, is on China's side. Therefore, while rapidly building military capacity, the expectation in Beijing is that economic clout and soft power will be sufficient to establish China as a global power, predominant in its region but with global reach, indeed, at least the equal of the United States. Chinese are taught to imagine China, because of the CCP, returning to its supposedly natural and historic position in the world, a glorious moral center beneficently involved economically with all others, promoting gradualism and non-interference internationally, and stability and social and economic human rights at home. China's leaders are proud of their achievements and wish to improve the world by promoting Chinese style solutions.

This presentation has tried to sketch the self-interested reality that is hidden by the CCP's propagandistic, albeit not insincere, slogans. What impresses me is the success of Chinese soft power such that CCP propaganda is treated by international observers as reality. For example, Beijing's repression in Uighur Muslim areas of Xinjiang which is meant to advance a long-existing policy of Sinification is reported as a response to supposed Taliban-like separatists. In like manner, Beijing's efforts to annex a democratic and autonomous Taiwan are reported internationally as an understandable and peaceful CCP response to an irrational, dangerous, and provocative Taiwan.

Given the CCP regime's great success in obscuring its narrow interests with clever slogans, this Commission's hearing on what actually lies behind the slogans is important and welcome. I sincerely appreciate the opportunity to respond to the Commission's concerns.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Dr. Malik.

**DR. MOHAN MALIK, PROFESSOR IN ASIAN GEOPOLITICS &
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DR. MALIK: Thank you. Let me first thank the Commission for the invitation to testify here today. In my written statement, I have placed China's foreign policy objectives in the broader historical and geopolitical context, and outlined the key elements of China's indirect strategy of containment of the U.S. and its friends and allies.

You hear a great deal of talk about how the U.S. is trying to contain China, but you don't hear much about how China is trying to contain the U.S. and its friends and allies. And I also talk about Asian countries' responses to China's rise.

I for one do not subscribe to the notion that China is a fragile superpower, is on the verge of collapse despite what is happening in Tibet and other parts of China today. I believe that China faces serious internal challenges that might slow down its march to glory, but it is worth remembering that even when China was a weak fragile power, it never

behaved like a weak state.

It always played hardball diplomacy, even when it was a weak state. In the 5,000 years' long history, the Chinese people have never had it so good. The world is their oyster, so to speak, for the first time.

In terms of China's foreign policy, rhetoric versus reality, there's always some gap, I believe, between declaratory and operational policies of most countries. But in China's case, this gap is much wider because of four reasons:

One, it's closed political system; two, an opaque national security decision-making process; three, its security culture; and four, a long tradition of defense through deception and denial.

Students of Chinese affairs are quite aware of China's obsession with catching up with the West or "leapfrogging" to emerge as number one. "*Zhongguo di yi*" is the term we all know. This is no state secret. China, as Dr. Friedman said, has long seen the U.S. as its major global rival. It was China's need to counter U.S. hegemony that led it to court dictators from North Korea to North Africa and into the arms of proliferators of WMD over the last two decades.

We also know that China wants to have a multipolar world. Similar to how the U.S. seeks to prevent the rise of a peer competitor at the global level, China seeks to prevent the rise of a peer competitor at the Asia-Pacific regional level.

As I see it, U.S. would like to have a multipolar Asia, a strong Japan, a powerful India, and a strong China countervailing each other, but a unipolar world.

In contrast, China prefers a unipolar Asia with China as a sole superpower without any peers, but a multipolar world with the U.S., European Union, Russia and China as four major power poles.

So there is a significant difference in terms of U.S. vision of the world and Chinese vision of international order in the years and decades to come.

I've also outlined key elements of China's grand strategy. I wouldn't go into any detail, but let me place this in the broader context of what I call China's geopolitical discomfort.

I believe that, unlike the U.S., China has large powerful neighbors like Japan, Russia, India, Vietnam, ASEAN, states that singly and collectively will try to counterbalance China's growing economic and military might. China does not have Canada or Mexico on its frontiers. And China cannot be a threat unless China transforms Russia into Canada, India into Mexico, Japan into Britain and Australia into Panama.

Through a mix of engagement, integration, and hedging strategies, U.S. can ensure that this does not happen. This is again a perspective that is grounded in geopolitics. Of course, that does not mean that China will stop its relentless pursuit of power. No. Chinese leaders are convinced that

China's growing economic and military power will eventually enable them to reestablish the Sino-centric hierarchy of Asia's past as the U.S. saps its energies fighting small wars in the Islamic world, Japan shrinks economically and demographically, while India remains subdued and contained by virtue of Beijing's all-weather special relationships with India's small neighbors.

In terms of Asian responses to China's rise, I see India, Japan, Australia, Vietnam, Taiwan, Mongolia pursuing a clear balance of power strategy vis-à-vis China by strengthening their ties with the U.S. as well as with each other.

In the second tier are states that are both balancing as well as bandwagoning. Many small and middle powers are doing that, especially South Korea, Thailand, Philippines, and Malaysia.

Third-tier states are those that are clearly bandwagoning with China on a number of issues. North Korea, Pakistan, Burma, Russia, Cambodia, Bangladesh, Nepal and some Central Asian states and Iran come in this last category.

In terms of very briefly China's strategy, what is China doing to undermine the U.S. influence, I would say in a gradual and subtle way, through a multidimensional indirect strategy of containment, the focus of China's economic and diplomatic initiative is to drive a wedge between the U.S. and its friends and allies.

China's multilateral diplomacy reveals its preferences for a Sino-centric order. The Chinese also remain skeptical about the idea of meeting American standards of responsible stakeholder because judging by Chinese standards, the U.S. is far from being a responsible stakeholder.

At the same time, the Chinese leadership wants to avoid direct confrontation with Washington, at least until China closes the technological gap with the U.S.

We discussed China's military build-up. Just a very brief point I would like to make. There still remains a wide gap between the Chinese military and the U.S. Even in terms of overall balance of power, the military balance of power is likely to remain in favor of U.S. and its friends and allies in the region.

But at the same time the Chinese have identified certain weaknesses to pursue their area denial, sea denial and space denial asymmetric warfare strategy. This calls for building the largest number of submarines in the world, acquiring significant anti-satellite warfare capability, and having all kinds of missiles - anti-ship, ballistic, cruise missiles - the largest number of missiles.

Let me conclude by saying that China's indirect approach, if successful, would lead to a gradual erosion of U.S. power and influence worldwide. At the same time, being a distant superpower, the U.S. remains

the balancer of choice for countries on China's periphery because the interests of most big, small and middle powers lie in ensuring that Asia is not dominated by a single power.

Thank you.

[The statement follows:]¹

Panel II: Discussion, Questions and Answers

VICE CHAIRMAN BARTHOLOMEW: Thank you very much for interesting testimony from both of you. Commissioner Blumenthal.

HEARING COCHAIR BLUMENTHAL: Thank you. This is mostly for Dr. Friedman who has been one of those people to write about the link between China's authoritarian government at home and its export of bad practices abroad, and I think you were the one who wrote that China may be the single greatest threat to worldwide democracy if it continues to rise in the way that it is.

I'd like you to expand upon those points, specifically on this question that we had earlier from the administration about changing from noninterference to interference. There seems to be quite a bit of Chinese interference in other governments' affairs, but not in ways that the United States or its democratic partners would like.

DR. FRIEDMAN: Thank you, Commissioner Blumenthal. Just a tiny correction. I'm sure what I have said is that China is a major factor working against democratization, but I'd never know how much American policies over recent years should get less or more of the credit for the decline of support for democracy in the world.

But let's talk about China's recent multilateralism. Beijing is very wary of multilateral organization dominated by the United States or Europe or democracies, or OECD nations. The CCP understands such organizations actual purpose as seeking to subvert China's authoritarianism. Beijing changed its approach to multilateralism in response to American intervention in the Asian financial crisis.

Japan said let's create an Asian monetary fund. The Clinton administration's response was "no." It preferred the IMF. The Clinton administration got Japan to back down on an Asian monetary fund. The Chinese looked at that the Asian financial crisis. Beijing did not like that financial chaos in Southeast Asia led to democratization in Indonesia. Democratization is a bad thing from the CCP point of view. The CCP thought that the Asian monetary fund push by Japan and opposed by American could be used to maintain authoritarian stability. Beijing concluded that maybe the the multilateral cooperation could be good as long

¹ [Click here to read the prepared statement of Dr. Mohan Malik](#)

as the pro-democracy United States was not calling the tune. China could cooperate even with Japan, as long as human rights and democracy were off the table.

Since then, China and Japan have created the Chiang Mai initiative, which is a set of arrangements to create the equivalent of an Asian monetary fund that could, in theory, be used to bail out Asian nations in case there were a financial crisis.

Whether it actually works is another thing. It was not used during the recent mini-financial crises. There's very little trust among the nations. There's about 28 separate agreements among them. Still, Beijing became more willing to act multilaterally, especially after China joined the WTO and became the big winner from that. Foreign investment in China exploded. Exports exploded. The trade surplus exploded. China now had the will and the wherewithal to be multilateral all over the world, as long as the multilateralism served CCP authoritarian interests and not the interests of human rights and democracy. China began to think of establishing itself as a separate pole in the world, not a revisionist power out to destroy the IMF or the World Bank. It would use those international organizations for China's own political purposes. It has been creating an independent Chinese pole to serve Chinese purposes as defined by the CCP regime.

Please consider the possibility that authoritarian China can be successful in promoting authoritarian stability. It's not inevitable that China is going to fail in Africa in its efforts to turn fragile authoritarian regimes into resilient ones through ties to China's buying raw materials, building infrastructure, despite a huge amount of waste and corruption that will accompany these projects.

It's about time that America treated China seriously as a very successful actor on behalf of its own interests globally and asked why that is and what America should do in response. China is changing the world in a more pro-authoritarian and anti-American direction.

Yet surely no one should be opposed to ending poverty in Africa. Surely it is a good thing for humanity that poverty(?) has been greatly reduced in China. America has a serious challenge in competing with authoritarian China. The loser so far is democracy and human rights. U.S. government testimony in the earlier session focused on cooperating with China on peace and development. Democracy and human rights have dropped out of American objectives. This is the political Gresham's Law at work reducing the value of international cooperation. China is winning on its basic agenda of using multilateral cooperation all over the world, even in Africa, to check the appeal and spread of democracy and human rights.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Fielder.

COMMISSIONER FIEDLER: I have a couple of questions. One, I believe it was in yesterday's paper or today's that sources inside China

expressed concern about Chinese company behavior interfering with Chinese foreign policy as a sort of deceptive cover for their actions in the Sudan.

But would either of you care to comment on whether or not there are substantive reasons to believe that PetroChina or Sinopec or somebody as powerful as that as a state enterprise is driving policy?

DR. FRIEDMAN: China is no longer the China of Mao Zedong. Chinese have been experiencing an entrepreneurial frenzy. They're globally competitive. Chinese firms have risen. They're increasingly driven by the motive of maximizing their profit and also the salary of the people who are running the firms and increasing the global competitiveness of their firms..

These firms use their connections in Beijing for their firms' purposes. It's no longer that the government merely uses the firms. Concern has grown in China that the firms are not serving the CCP's purposes. In fact, an Academy of Social Sciences delegation is on its way to Sudan to investigate why most of the Chinese oil pumped in the Sudan goes to Japan and not to China. and the CCP is worried about China's energy shortages. Chinese are asking what is driving our policy in Sudan? Is it serving Chinese national interests or merely business purposes? The CCP cares about China's good reputation. While Beijing, supports authoritarian regimes, the doesn't like China being seen as on the side of genocide. There is something to that report you mentioned. There is a general concern in China that Chinese foreign policy should serve what the Communist Party thinks are Chinese interests.

DR. MALIK: At the same time, I should add that these companies have very close links with the PLA and with the Chinese government because they rely on the generous lines of credit from the Chinese government.

They may have developed an agenda of their own which may be at odds with China's foreign policy thrust, but the primary objective of these companies is to extract resources to fuel China's economic growth.

So even if the Foreign Ministry sees certain actions by these companies as undermining China's image, international image, I do not believe that as long as they are engaged in resource extraction and in ensuring energy supplies to the Chinese economy any major constraints will be put on these companies to change their ways of doing business.

COMMISSIONER FIEDLER: One follow-up or actually it's an unrelated question. I was struck this morning and other testimony we have received over the last year, that the basis for the answers for a number of questions was "we don't know." And we're not talking about terribly complicated things. But we don't know how the Foreign Ministry interacts with the CMC or with, for instance, even in this case, with the party about economic interests in Africa.

We don't know this. We don't know that. My suspicion is that that's willful on the part of Chinese and is part of their policy, but it appears to

make it difficult for us to formulate our own. Any comment?

DR. MALIK: Yes, as I said, the entire decision-making process in China is very opaque. There are certainly different schools of thought for the first time, unlike China of the '70s and '80s. Now you see different viewpoints on different foreign policy issues. There are several think tanks. But in terms of influencing Chinese foreign policy behavior, we don't see any evidence that these are influential.

I'm talking about Chinese government-approved NGOs and think tanks, and sometimes Chinese researchers from the Chinese Academy of Social Sciences, Institute of International Studies, they do voice criticism of certain aspects of Chinese foreign policy on large multinational companies that China is building, whether in the white goods sector or in petrochemical industry, but at the same time, there is not much evidence to believe that they are able to bring about a change in Chinese foreign policy behavior on vital issues of concern to the international community.

DR. FRIEDMAN: Can I offer a slightly different perspective? A lot of the problems the Chinese government faces are quite complex. It's a difficult and volatile world. The future is not obvious. What is the correct policy for therefore is a matter open for debate. That China is ruled by an authoritarian Communist Party does not do away with these realities. So there are lots of debates in China as everywhere else on how to respond to hard problems.

These debates are increasingly visible if you know how to read the various parts of the Chinese media. Some of the participants on the debates act with courage. At the end of the 1990s, Chinese think tank people began to argue that President Jiang Zemin's policies were too reliant on the military. Jiang's military initiatives were alienating Japan and other countries in Asia. Jiang's threats to Taiwan was a major cause of the growth of Taiwan identity in Taiwan. These critiques of the President's policies inside the Chinese government were observable.

It was not easy to challenge military adventurousness because the CCP regime has revved up inside of China a really nasty racial chauvinism, which you can see in March 2008 in response to popular Tibetan resistance to CCP oppression. It takes courage in China to challenge assertive nationalism. One of the people who disagreed with President Jiang's offensive policies toward Japan got death threats and eventually fled to Hong Kong.

But there's evidence these critics of the President had an impact and that slowly they helped change policy toward Japan after Hu Jintao replaced Jiang as president. Outsiders weren't ready for that a warming in China's policy towards Japan. But it became manifest right after the April 2005 anti-Japan race riots.

A key event in this change in Chinese policy, which was hinted at in the first session, was the lack of coordination between the military and the

civilians during the April 2001 the Hainan Island incident, when an American surveillance plane was crashed into by a Chinese interceptor and the American pilot was forced into an emergency landing on Hainan, after which the Americans were taken hostage. There's a lot of evidence that the military command in Hainan, to protect their own careers reported information to Beijing which was not accurate. Hainan reported that the American plane had been in Chinese airspace, that the American pilot had intentionally crashing into the Chinese plane. The decision-makers in Beijing had a tough time figuring out what the truth of the matter was. Matters might have spun out of control if less hawkish civilians in Beijing had not seized the initiative.

One of the causes of the foreign policy difficulty is that since June 4, 1989, the Chinese military's stature and weight and budget have been much more difficult to challenge in Beijing. Still, as Dr. Christensen said, the party had the final say. The CCP ran a civilian government. But foreign policy making in Beijing is premised on a far more complex interaction than was the case before June 4, 1989 because hawkish and chauvinistic have risen.

VICE CHAIRMAN BARTHOLOMEW: Okay. Thank you. Commissioner Wortzel.

CHAIRMAN WORTZEL: Thank you. Dr. Malik, first of all, Ed and Dr. Malik, thank you very much for a very thoughtful testimony, and it leaves no doubt about what challenges--neither of you leave any doubts about what challenges the United States faces.

I wanted to draw Dr. Malik out on three aspects of his written testimony and two of them you mentioned in your oral remarks. First of all, you talk about retiring and rising powers around the world. And one that you didn't mention in Asia specifically is Japan, so I'd be--which I guess you could argue either way, but the economy is back growing. It really did do some positive things in the Asian financial crisis to stabilize the situation, and it's got the second-biggest navy and military out there in Asia. So I'd like to see if you could put that in perspective.

You also seemed to indicate that the idea of a new tributary state-like sphere of influence for China in places like Laos, Korea, Vietnam and Burma is unlikely. You see them as doing other things. So I want to confirm your views that way.

But then some of those same countries are in your bandwagoning group. The group of Korea, Pakistan, Burma, Russia, Cambodia, Nepal, that are really working with China, actually hedging against the United States almost, but you say there are different motives for that. So I'd like to hear what you see as some of the common motives there.

DR. MALIK: Yes. Thanks for bringing my attention to Japan's important role in the region. I by no means underplay Japan's power and its

potential role. I have said that in my testimony that China and India are rising powers and Japan is normalizing. It's fast becoming a normal great nation and Russia is reemerging on the world stage. Each has the potential to spoil China's party.

Japan still remains the second-largest economy in the world. Japan poses significant challenges to any Chinese attempts to restore the old Sino-centric order in East Asia. So in the context of China-Japan relations, I have mentioned that there is going to be a "Cold Peace" type of relationship between these two old traditional rivals in East Asia.

Japan has fought with every great power over the last 100 years to maintain its hegemony in East Asia--Russia, Britain, U.S., and China. As China emerges to challenge Japan's dominance in East Asia, Japan is not going to take it lying down. Japan is going to resist. That is why you see, in addition to revitalizing its alliance with the U.S., now Japan is increasingly looking beyond the U.S.-Japan security alliance and trying to establish closer mil-to-mil ties with India, Vietnam, Australia, looking beyond the U.S.-Japan alliance.

So that's why I'm quite skeptical of China's capability to achieve its rather ambitious foreign policy goals because it would inevitably provoke countervailing actions by other great powers, especially Japan and India, and to some extent in the years and decades to come, though not in the short-to-medium term, from Russia too, because Russia and China's geopolitical concerns and interests diverge beyond a certain point.

In the short term, of course, they have joined hands to oppose U.S. unilateralism. But over the long term, Russia cannot go along with China because it cannot afford to be subservient to China's foreign policy objectives.

In the context of--this is part of a larger study--Asian countries' responses to China's rise--there are certain issues I did not go into, methodology of this approach, why I believe some countries are bandwagoning. As we know, in terms of taking military countermeasures to China's growing power, India, Japan, Australia, Vietnam, Taiwan, these are the countries, and Mongolia, too, to some extent, that are strengthening their military capabilities in response to China's growing military power.

Other countries are not so much spending on defense. They have not raised their defense expenditures. So that is one reason why I'm saying that these countries are clearly balancing against China's rise.

Bandwagoning countries are those that have been long-term China's allies. They provide support to China on the Taiwan issue. They have never ever voiced any criticism of China's one-China policy or China's demands that are made to these governments, whether it is Laos or Bangladesh or Cambodia, that they should not open any Taiwan economic and cultural office in their countries; they should not allow Taiwanese air lines to fly to

those countries.

So from their perspective, Central Asia and Iran are in a different category. That's why I said they have very different motives. They're not so much hedging against the U.S. They are bandwagoning with China for their own selfish interests, countries like Pakistan because of its rivalry with India, Burma because it's got nowhere else to go, because only China can provide it diplomatic protection in the U.N. Security Council. There is no other country. Russia and China exercised their joint veto for the first time in January 2007.

Russia, as I said, is bandwagoning with China for its own self-interest. Cambodia, Bangladesh, Nepal, they're more fearful of China than they are fearful of India. In some cases, the fear of India- , small state versus big state syndrome- comes into play here. Just as India's neighbors align themselves with China to countervail India's power, China's neighbors are increasingly looking toward India to countervail China's power.

Countries like Mongolia, Taiwan, Japan, South Korea, Singapore, Vietnam are improving their mil-to-mil ties with India. So you see this trend. Even those countries that are in the second category or second tier bandwagoning and balancing, they have not chosen sides to date. They're hedging their bets.

So we look at a number of issues. Taiwan is one issue. Economic assistance is another one--how much money they're getting from China. In terms of their internal political system as well, most authoritarian states, militarist regimes tend to bandwagon with China because regime survival is at stake here, not that they don't, they're not concerned about China's growing power. They are concerned, but at the same time, for regime survival, it makes sense for them to align themselves with China, not to voice any criticism of China's policies.

VICE CHAIRMAN BARTHOLOMEW: Thank you. I'll ask the next question, but I want to remind all of us and our witnesses also, it's about ten minutes to noon. We were supposed to end at noon. We'd like if you have the time that we could stay till say ten past or quarter past if your schedules will accommodate that, but it means given the number of people that have questions, we're going to have to stay pretty tightly within the five minutes.

So my question, and it might be too soon to be able to answer this, but, Dr. Malik, particularly, you spend your life living on the Pacific Rim now so I think that you're in some ways maybe closer to some of these things. But when we were in India last summer, one of the issues that some people had raised concern about as they were watching the rise of China was the increase, the military build-up within Tibet.

And I wondered how people throughout Asia are now viewing what is going on in Tibet, as much as any of us can know what's going on there, but what lessons they might be taking away in terms of watching China's

response and what's that going to mean down the road?

DR. MALIK: In terms of the impact of this crisis on China's relations with its Asian neighbors, I see two elements. One is that the Chinese government has suffered a major loss of face, and mainly because over the last decade or so, the Chinese government has offered itself as a mediator in internal conflicts in a number of countries in Asia and around the world.

Now that China is grappling with this unrest, that damages, tarnishes China's reputation as a stable and strong country that has set its own house in order. Up until these riots broke out, many countries had started believing in China's propaganda that everything is fine--these ethnic issues, whether in Xinjiang or in Tibet, are taken care of; economic development has resolved internal contradictions that existed within Chinese state and society. So these riots blow a big hole in that argument.

Secondly, it complicates China's relations with Nepal and India in particular, as well as the whole issue of Taiwan, because what it means is that the PLA is going to be in the driver's seat again in terms of designing China's foreign policy toward India, Nepal, Bhutan, and that could lead to a setback in India-China relations if this problem is not contained and managed, if protests continue to take place throughout the year, especially at the time of Olympic Games in China. There will be a negative fallout and India-China relations are bound to suffer.

No matter what India does, China is not going to take it lightly because India is constrained because of its democratic system, the presence of a large Tibetan minority community in India, and the Dalai Lama's presence in India. That complicates and constrains India's options.

China would like to have India putting more pressure on Tibetans both inside and outside India, appealing to the Tibetan community through the Dalai Lama to put an end to this violence. I do not see that China and India are going to resolve these differences because the entire boundary dispute is essentially about the status of Tibet.

Things are going to get complicated in the years to come if this problem is not managed properly by both sides.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Dr. Friedman, anything to add?

DR. FRIEDMAN: Just the sad reality that after June 4, 1989, people said that the memory of the massacre of supporters of the nationwide democracy movement would last forever. Most young people in China 20 years later in fact never have heard of the event. The power of the CCP regime to control memory in China is real.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Commissioner Mulloy.

COMMISSIONER MULLOY: Thank you, Madam Chairman. Thank you both for being here. Were you here with the previous witness?

DR. FRIEDMAN: Yes.

DR. MALIK: Yes, sir.

COMMISSIONER MULLOY: Okay. Dr. Friedman, on page five of your testimony, you say that Beijing sees a successfully rising China. And then you say, quote: "While rapidly building military capacity, the expectation in Beijing is that economic clout and soft power will be sufficient to establish China as a global power, predominant in its region but with global reach, indeed, at least the equal of the United States."

Dr. Malik, on page six you say: "The key elements of Beijing's grand strategy." They have a grand strategy. Somebody ought to say does the U.S. have a grand strategy? But anyway, they have a grand strategy, in your point.

You say they have a "focus on acquiring comprehensive national power that is essential to achieving the status of a global great power that is second to none."

Now Mr. Christensen came in here and was talking about how this trading relationship he says has really benefited the United States, and we went through the fact that since 1990, we've had a trade deficit with China of \$1.6 trillion. People like Warren Buffett would say that's a tremendous transfer of wealth and power out of the United States across the Pacific Ocean.

In my view, the Chinese clearly wanted in the WTO, as you point out, Dr. Friedman, because it would bring more investment, more tech transfer and build their economy.

I would feel more comfortable if Mr. Christensen hadn't put this point in his testimony, which I think is absolutely right, but we act as if it's not right. He says at the end of his testimony--and I wanted to quote this back to him. I didn't have a chance during the second round. Here's what he says on page 11 of his testimony. Listen to this.

"It is possible that in spite of the benefits that have accrued to China in the current U.S.-led international system"--including 1.6 trillion in trade surpluses with the U.S.--"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."

So here's my question: Do you think that the United States has to change this economic system that we've been operating in vis-à-vis China in order to protect our own national interests vis-à-vis China? And if so, how? Dr. Friedman and then Mr. Malik.

DR. FRIEDMAN: At the end of World War II, the United States was the only power in the world. It put in place a dollar-based Bretton Woods' system which was used to revive the European economy and Japan and any nation in East Asia which tied into Japan.

By 1969, the dollars that were pumped out of America to make that revival happen was already too numerous. The U.S. government asked its friends and allies to revalue their currencies up. They wouldn't. That compelled President Mr. Nixon to delink gold and dollars and let the dollar float on August 15, 1971.

But the system couldn't do without dollars. Problems intensified. In 1985, in September, an agreement was reached at the Plaza Hotel in New York, by the financial representatives of the G-7 nations, the Plaza Accords. The Eastern Asian governments finally agreed to raise the price of their currency.

China has been the great beneficiary of being allowed a low-valued currency while the world was willing to still treat dollars as a global economy. That money then goes for cheap labor in China. The remains of the dollar-based system is one of the beginnings of the great Chinese rise.

That system put in place in the agreement of Bretton Woods in 1944 has stayed in place. The world still can't do without dollars, but there are far too many dollars out there. It's an international crisis waiting to happen, with the dynamite ever more dangerous since previous attempts to end Bretton Woods dollar imbalances have failed. To get out of that crisis requires the cooperation of all the major governments in the world. This has been impossible since 1969 when the world first confronted a glut of dollars and an inevitable decline in the value of the dollar.

Everybody knows that what you need is global response to a problem which has been predictable since the 1944-45 inauguration of the Bretton Woods system. It is so sobering to realize how many years have gone by without the so-called global community being able to find a substitute for this dollar-based system. It looks like nothing less than a crisis is going to force the world to act

VICE CHAIRMAN BARTHOLOMEW: Dr. Malik, anything to add?

DR. MALIK: Very briefly, just to reinforce what Dr. Friedman has said. The biggest challenge from China to the U.S. is economic; it's not military in nature. The Chinese quite relish the fact, I give you a quote from a very senior policy advisor to the Chinese government, that "the U.S. economy is now hostage to the Chinese economy."

Recently, Chinese government officials have dropped hints that they may sell off U.S. Treasury bonds that they hold to counter U.S. pressure on them to revalue their currency and other unfair trade practices that they engage in.

So the biggest challenge that we face is that China has been the largest beneficiary of globalization. It has benefited more than any other country in the world. And that is why it would like to keep things as they are. At the same time, it is not fulfilling its WTO obligations in letter and spirit, as it should.

We have to--I'm not an economist. We need to talk to economists to see what can be done to ensure that there are no free riders, as China has emerged over the last two decades in this game, and they also abide by the rules of the game. But the U.S. is losing its leverage and influence in terms of influencing China's economic policymaking.

VICE CHAIRMAN BARTHOLOMEW: Thank you.

DR. FRIEDMAN: Can I add one sentence?

VICE CHAIRMAN BARTHOLOMEW: A very fast sentence because we are running out of time.

DR. FRIEDMAN: If this hearing were being held in China, Chinese analysts would say something very different about who is being hurt by the fall in value of the dollar. Chinese would say that the U.S. has cleverly suckered the Chinese into putting all their hard-earned money into the dollar. That investment is losing money. China has been underwriting the American economy. Chinese would ask when will we Chinese stop being Uncle Sucker? Both Chinese and Americans see themselves as losing because of on-going international dollar implications. It's a lose-lose situation.

VICE CHAIRMAN BARTHOLOMEW: Okay. Commissioner Esper.

COMMISSIONER ESPER: Thank you and thank you both. A few quick questions. Based on what was cited as your testimony, written testimony, do either of you see China using military power to achieve great power status?

DR. MALIK: If we rule out conflict across the Taiwan Straits, I doubt it very much. Spratly Islands, they have been playing a clever game, occupying islands, and all the islands and reefs that were not occupied are now occupied.

They may take one or more islands, one or two islands more in the Spratly Islands. I do not think that China wants to use military power, at least in the foreseeable future, because China's military still lags behind other militaries in the region, including the U.S. So I do not think that China will use military force, at least in the short to medium term.

After China emerges as the largest economy in the world in the third decade, the third decade of this century would be full of uncertainty and unpredictability if China's power will grow on current trends.

COMMISSIONER ESPER: Dr. Friedman?

DR. FRIEDMAN: I'd just say it a little differently. I wouldn't exclude Taiwan. Taiwan is a real place. If we get into a war with China over Taiwan, it's still a real war. It will have global implications.

While I agree with everything Dr. Malik said, there's a real problem that needs to be addressed. The Chinese rulership has promised the Chinese military for a long time that Taiwan will fall into the Chinese basket easily because of the power imbalance favoring China isolating Taiwan. But

whether Taiwan maintains its democratic autonomy? We can't know at what point the Chinese military will say that America is weak and China is strong and therefore China should annex Taiwan now. As the great American philosopher Yogi Berra said, prediction is very difficult, especially when it's about the future.

COMMISSIONER ESPER: But to take this a step further, do you see China continuing to build its military to rival the United States military? Or do you see it strictly as a force to just effect its regional policies?

DR. FRIEDMAN: I agree with Dr. Malik on this. The CCP means to be a global power, at least the equal of the United States, absolutely.

COMMISSIONER ESPER: And then the last question here. Can you elaborate a little bit more, both of you, on China's relationship with Russia? They seem to be uncertain or unlikely partners with regard to arm sales and other cooperation, but yet we know there have been historical and other types of tensions between the two. Can you explain that relationship a little bit?

DR. MALIK: I see it as a marriage of convenience. It is a marriage of convenience in the sense that both Russia and China see a vital interest in constraining U.S. role and policies around the world.

Lately, there has been some cooling off of relations, especially in the defense sector. Over the last two years, China has not placed any orders for big ticket Russian weaponry. Russia is also less needy because of its oil-fueled economic growth, Russia has more money. It doesn't need Chinese money or Indian money to keep its military-industrial complex going.

So Russia is engaged in rebuilding its defenses. That's why it's not very keen to provide sophisticated weaponry to China. That's a major complaint if you talk to Chinese policymakers, that they don't get what they want from Russia. If it comes, it come with lots of strings attached to it.

In terms of multilateral institutions, yes, both are collaborating on a whole host of issues. On Tibet, we saw Russia was the first country to come out in support of China's position on Tibet. As I said, it's a marriage of convenience, but over the long term, Russian and Chinese interests are going to diverge and there I see more tension in a decade's time if China's power continues to grow.

COMMISSIONER ESPER: Okay. Thank you.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Slane.

COMMISSIONER SLANE: Dr. Friedman, it's shocking to me to hear you say that China is now a superpower although I totally agree with you. It is my belief that most Americans are completely oblivious to what is going on in China, and my question to you is what should we be doing as a country to deal with this challenge?

DR. FRIEDMAN: I'm going to comment on the premise of your question rather than respond to your good question because I don't know the

answer to your good question. I think that this Commission serves a useful purpose in insisting that the U.S. government gives an answer to your good question.

Why aren't Americans aware that China is a superpower? My answer is mesmerization by the myth of 1991. 1991, the Soviet Union fell apart in 1991, a U.S.-fed coalition had a walkover against Saddam Hussein's military in the Gulf War in 1991, the Japan financial bubble burst in 1991, it seemed that China was being conditioned because of its June 4, 1989 Beijing massacre democracy supporters. It seemed that China's economy had stopped growing. Because of all these factors, the view grew that America was a hyperpower and could do anything it wanted in the world.

When China began to grow again in January 1992, it wasn't noticed. It wasn't only not noticed here. Taiwan didn't notice either, to its great detriment, and so we've been living on that 1991 myth of the U.S. hyperpower, which reads large a set of events in 1991 and ignores the basic forces that have been working in the world since the flaws in the Bretton Woods system began to create a crisis for the dollar. The myth of 1991 is a dangerous myth because it obscures serious problems that America has to face up to.

Guessing about the future, I assume Chinese rulers will act as other superpowers have acted, and thereby begin to create people who will be hurt by and threatened by Chinese power, and therefore want to balance against them. That is ordinary inevitable international relations logic.

But who wants to wait that long? Who wants to wait until other bad things happen?

VICE CHAIRMAN BARTHOLOMEW: Commissioner Brookes.

COMMISSIONER BROOKES: I have two quick questions for both panelists. Thank you for your testimony today. If you could tick off what you believe are the three major drivers of Chinese foreign policy? And then the second question is: While history isn't perfect for understanding the future, does the current U.S.-China relationship have any similar historical analogies, in your view?

DR. MALIK: Could you repeat the second half?

COMMISSIONER BROOKES: While history isn't perfect for understanding the future, does the U.S.-China relationship have any similar historical analogies, in your view?

DR. FRIEDMAN: I'll response to the first one; you can do the second Dr. Malik. The first driver of Beijing's foreign policy is maintaining the monopoly of power of the Chinese Communist Party in the People's Republic of China. The second purpose is to make sure that there is no challenger to China's regional dominance in Asia. The third objective is the restoration of China's greatness in the world as a moral pole, a moral--I want to stress that word--because that is how the CCP leaders see it--as a moral pole in the

world, delivering noninterference, harmony, stability, and multipolarism, which means opposition to the spread of human rights and democracy and promoting anti-Americanism. For the CCP, China as a moral pole promotes authoritarian stability friendly to Chinese purposes.

DR. MALIK: I agree with those key drivers. I see a major one here: it's the lesson that China has learned from the collapse of the Soviet Union. From their perspective, USSR collapsed mainly because it was a first-world military power and a third-world economic power. This contradiction between being a first-world military power and third-world economic power brought about the collapse of the Soviet Union.

So that's why they focus on acquiring comprehensive national power--economic, technological, scientific. They want to close the gap as fast as they can, and they want the U.S. on their side. They don't want the U.S. as their enemy even though they are doing everything they can to undermine U.S. power/influence worldwide; they still want U.S. cooperation, good relations with U.S. that will help them achieve this objective of closing the gap.

In terms of historical analogies, well, if you talk to Chinese--a number of articles have been written in China Security Journal by Chinese academics like Yan Xuetong and others. They see the closest parallel in the post-Second World War period with Great Britain conceding hegemony to the U.S.

So their best case scenario is that as China's power continues to grow and U.S. power declines relative to China's power, time will come when the U.S. will have no option but to let China play a bigger role on the international stage as Great Britain did. It won the war, but it emerged from the Second World War too weak to hang on to its colonial possessions. So there will be a power transition.

That is supposed to take place sometime in the third to fourth decade of the 21st century. That's why they look toward 2049, hundred years of the forming of the People's Republic, as the year when China will reemerge with China being restored to its primacy in the international system.

But what they don't see, that Great Britain very reluctantly conceded that role to the U.S., e.g., the Suez Crisis. When Roosevelt signed an agreement with King Fahd of Saudi Arabia, Britain was furious. Churchill saw it as an encroachment on Britain's sphere of influence in the Middle East.

And the U.S. and Britain had so many things in common. Still it took more than a decade for Britain and France to accept the reality that they were no longer great powers; the U.S. had taken over that role.

China and the U.S. have nothing in common in terms of values, in terms of history, in terms of their ways of doing things. So I do not see that historical analogy, though many Chinese would like to see it that way, I

don't see that it applies to China and the U.S.

VICE CHAIRMAN BARTHOLOMEW: Wonderful. Thank you very much, gentlemen, for very interesting testimony. We really appreciate you taking the time to come, coming the distance that you did, and we look forward to continuing dialogue with you.

We are going to break until 1:00 o'clock for lunch. We'll be back in the room at one and starting up again. Thank you everyone.

[Whereupon, at 12:10 p.m., the hearing recessed, to reconvene at 1:07 p.m., this same day.]

A F T E R N O O N S E S S I O N

PANEL III: TOOLS OF CHINA'S STATECRAFT: ECONOMICS AND TRADE

HEARING COCHAIR BLUMENTHAL: Our next panel will begin with a closer examination of China's foreign policy by focusing on elements of China's economic and trade diplomacy.

Our first speaker, Dr. Lawrence Grinter, is a Professor of Asian Studies at the U.S. Air War College in Montgomery, Alabama. He has edited multiple books on Asian security issues and authored over 50 academic articles on the topic as well. His research focuses on China's influence in Southeast Asia, and we look forward to hearing him speak on China's economic and trade statecraft in that region. Thank you.

STATEMENT OF DR. LAWRENCE E. GRINTER PROFESSOR OF ASIAN STUDIES, AIR WAR COLLEGE MONTGOMERY, ALABAMA

DR. GRINTER: Thank you so much for the privilege and the honor to be here at this Commission. Chairman Wortzel, Vice Chairman Bartholomew, the rest of the commissioners, it's a real pleasure to be here.

As I listened to the broad-gauge statements and analysis this morning, I was struck now by the shift as we begin to disaggregate and look at Chinese behavior, at least on this panel, in selected regions and subregions of the world.

Regarding mainland Southeast Asia, Chinese trade and economic practices in mainland Southeast Asia reflect a deliberate and growing Chinese engagement with the area, that includes economic activities across a very broad spectrum from formal trade to investment to a multiplicity of small-gauged business operations. Basically China takes raw materials out of Southeast Asia, both maritime and mainland Southeast Asia, and basically China exports machinery, electronics, textiles, other consumer goods back to

the region.

China is running a trade surplus with all of mainland Southeast Asia with the exception of Thailand. And to the extent you can monetize, which is not easy, the exact values of Chinese trade with mainland Southeast Asia, the 2004-2005 figures suggest about \$35 billion, growing at about 15 to 20 percent a year, which would now put them into a zone of approximately 45 to \$50 billion of two-way trade.

Thailand is China's single principal largest export-import target in mainland Southeast Asia. Then comes Vietnam, then comes Burma, and way at the end is Cambodia and Laos.

In addition to these bilateral trade activities, the Chinese are blending their business and trade practices into projects such as the Greater Mekong Subregion Economic Development Program, largely an infrastructure program.

I believe there is a correlation between Chinese economic and business practices in mainland Southeast Asia and overall Chinese security criteria and motives in mainland Southeast Asia.

I think that their economic operations take place within cognizance of and coordination with their broader strategic and security goals, in part elaborated through their "new security concept," which in my view is designed to desecuritize the perception of China's rise.

And in this particular region as well, which Evelyn Goh describes as China's "most pliable peripheral region," I think the Chinese have specific goals for these five countries, and I would lay them out as propositions.

First of all, to ensure that the overall area is friendly to and indeed, if possible, compliant with China's economic needs. Secondly, to capture the economic benefits of this area for China's southwest corners. Third, to hedge, and there's that word again, to hedge against American and Indian influence and power in this soft region. And fourth, very specifically, to continue to keep the Burmese junta as a Chinese client providing raw materials, intelligence sharing, and strategic access to the Indian Ocean.

The task of blending and coordinating Chinese trade activities with broader strategic political strategic goals is not perfectly synchronized. Variables get in the way. There are debates within the Politburo and the Standing Committee. But more importantly, the sheer complexity and at times truculence of some of these governments they have to deal with or the corruption in some of those governments in mainland Southeast Asia complicate Chinese designs.

So let's turn, first of all, to the most important client state they have in mainland Southeast Asia. That's the Burmese. They represent China's closest ties politically and strategically. Yangon was the first Southeast Asian capital to recognize the People's Republic of China. There has been a steady increase and incursion of Chinese assets, power and people into

Burma with the objective of crafting a pliant, indeed compliant, Burmese government.

David Steinberg, who has spoken to this Commission, is well known on this subject. I'm quoting him now: "China seeks stability and access and remains the staunchest supporter of that government with both military and economic assistance. There's been a virtual Chinese inundation of Myanmar through economic and military aid."

In return for Chinese financing, aid, trade, investments and concessions and, given from what I can tell, no meaningful Chinese pressure on the junta to release Aung San Suu Kyi or decompress on the human rights issue within Burma, we have reports that the Chinese operate intelligence stations on Burmese territory, particularly in the Bay of Bengal, where the Indians do missile testing.

The Chinese also sell the Burmese military equipment at concessionary rates. Indeed, almost all, not entirely, but almost all of Burma's military is equipped by the Chinese. They subsidize the regime. They use it for a variety of reasons. We think now if it can be monetized that a fair estimate of Chinese military assistance to the Burmese is now at least \$3 billion.

Now, the embrace of Burma by China, while it is a fact, has not been entirely easy going for Beijing, and this is part of the interest, indeed fun, when you begin to disaggregate and deal down into how they actually work with a government like Burma. It's not entirely easy going for the Chinese.

The fundamental problem is the corruption and the instability and the games that are being played within the Burmese junta, especially by senior General Than Shwe in his balance and divide- and-rule approach. This produces difficulties in efficiency of contracts, extraction and guarantees.

The American side on Burma is very different. We have no strategic interests in Burma from what I can tell. We do some trade with Burma through third parties and through some of our NGOs. We have not been able to effect fundamental change inside Burma in spite of, along with London, leading the positioning on human rights and criticism of that regime for its drug behavior, its human rights behavior, and so on.

So the contrast is rather stark. The U.S. has no vital interests in Burma, and given the deep strategic Chinese insertion there, even with our sanctions which may have double effects, some of which we may not want, we are not yet having a fundamental effect on the Burmese junta, and the Chinese have got a fundamental effect on the junta.

Now, given the cooperation that the Chinese have played in the Six-Party Talks, there is still this option, and I don't know anything about the initiatives on this, but the option still exists: Could the Chinese be induced or embarrassed into joining a multi-party group focused on the Burmese human rights issue? I'm skeptical, but I think it's worth a try.

If you turn to Thailand, which is China's largest trade partner in

mainland Southeast Asia, we see the Thais doing a rather typical, political acrobatic act: spreading their dependencies, ensuring their strategic protection through Rusk-Thanat of 1962, but allowing a deepening of the economic engagement with the Chinese.

The Chinese have a variety of basic advantages here. There is the intermarriage between Thai elites and Chinese business elites. It goes way back. It conforms and informs their business practices on both sides. Indeed, it may be that more than half of Thailand's parliamentarians can trace their family lineage back to China.

Chinese policy towards Thailand reflects multiple criteria, obviously, as a resource zone, a transit zone, and an infrastructure capability linked to southwest China. But also, if you deepen this Sino-Thai engagement to some extent, you may dilute the American-Thai engagement.

The Thais are aware of this, but it's a fragile democracy. It's a country that has to debate this over and over. And so the Chinese are designating all kinds of special little free trade zones and economic zones all along the borders and the link through Laos into Thailand with special incentives, infrastructure, flights, et cetera.

The U.S. still retains the predominant military connection with Thailand, even as the Chinese sell low-tech, medium-tech equipment, and especially ground equipment, while we maintain a more high-tech military profile with the Thais.

Former Prime Minister Thaksin finally settled down, and after zigzagging, gave support to the United States at Utapao and Sattahip for the build-up to the 2003 Iraqi invasion. Bangkok also sent a small contingent to Iraq, and we've designated Thailand a major non-NATO ally.

The fundamental thing about Thailand and relations with China and the United States is its combined hedging and bandwagoning. There is a mixed balancing and bandwagoning here on the part of Bangkok. This is something of a political acrobatic act, but the Thais know how to do this very well.

With the Vietnamese, I think if you come to the bottom line with the Vietnamese, it is that they have set clear limits on the extent of their leaning towards either Washington or Beijing, but their strategic calculus always places China at the top of their diplomatic, economic and security agenda. We have a bilateral trade agreement with the Vietnamese. We're doing about \$8 billion of two-way trade. We think the Chinese are doing probably 10 billion, but the Vietnamese are very careful about this for historic reasons.

Finally, then, Chinese relations with Cambodia and Laos. Trade may only be about 1.8 to \$2 billion between Cambodia, Laos and China total. The fundamental effect on Cambodia and Laos of China is the proposal and the start of the damming of the Upper Mekong River, which is in Chinese territory. This is already having serious effects on Cambodia and Laos.

There is nothing these small countries can do about it. The Chinese

are not members of the Mekong River Commission, and so that issue is really becoming a long-term strategic impression of China on Laos and Cambodia. So much, at least at this point, for China's "peaceful rise" as it affects water sharing with mainland Southeast Asia.

So, in conclusion, I'd say that whether one takes a benign or skeptical view of China's objectives for and activities in mainland Southeast Asia, it is undeniable that China's burgeoning economic engagement and impact on the area has strategic consequences. To echo our mutual friend and previous Commissioner June Teufel Dreyer, she sees all of this as a kind of "creeping assertiveness" they may well have, hopefully from Beijing's viewpoint, a dominant effect. By contrast, the United States is generally reacting to rather than leading mainland Southeast Asian developments given our preoccupations.

Nevertheless, Indian and Japanese engagement with the mainland generally tracks with U.S. interests, as do Thailand's activities. So it would be well for us to make sure we coordinate China policy in mainland Southeast Asia with New Delhi, with Bangkok, and with Tokyo.

Thank you.

[The statement follows:]²

HEARING COCHAIR BLUMENTHAL: Thank you very much. We're going to turn to Mauro De Lorenzo, a Resident Fellow at the American Enterprise Institute, one of the finest research institutions. Proof that they actually hire people with qualifications.

CHAIRMAN WORTZEL: As opposed to the Heritage Foundation.

HEARING COCHAIR BLUMENTHAL: His current research involves Chinese investments and political influence outside the Pacific region, particularly in Africa, and in the design of aid policies that also promote democratic accountability and refugee and humanitarian policies.

So thank you very much, Mauro.

**STATEMENT OF MR. MAURO DE LORENZO, RESIDENT FELLOW
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, D.C.**

MR. DE LORENZO: Thank you very much, and let me first apologize for being late. Commissioner Blumenthal is familiar with some of the equipment at our office which sometimes doesn't print the way it should. It's a poor excuse, but it's the one I happen to have right now.

Madam Vice Chairman, Commissioner Blumenthal, members of the

² [Click here to read the prepared statement of Dr. Lawrence E. Grinter](#)

Commission, thank you very much for the opportunity to testify before you today about the intersection of China's trade, aid and political relationships with Africa.

Over the past few years, China's presence in Africa has become, in fact, I think a symbol for its global engagement everywhere in the world, but the topic is, in fact, no longer new. The essential themes were put down on paper in 2004 in a number of articles, and those themes have remained unchanged up until now.

China's insatiable hunger for African natural resources, its disregard for human rights and democratic norms of governance, and also the first stirrings of discontent in Africa about Chinese business practices, both in terms of small traders and markets and in terms of labor practices and larger enterprises, for example, in Zambia, and also the effects of China's unconditional aid and loan programs on weak states.

The Commission has been following this for a long time, a long time, in fact, before it became a fashionable issue in Washington, and you yourself, Madam Vice Chairman, testified on these themes almost three years ago.

VICE CHAIRMAN BARTHOLOMEW: Yes. That long. At AEI.

MR. DE LORENZO: And took up a number of the themes which are the same themes you would use to frame the issue right now. Since that time, China's trade and investment and aid in Africa has continued at a dizzying pace, as have China's efforts to endow all of this activity with some sort of political cadre, some sort of strategy or overarching vision. They issued a document which I'm sure you're familiar with in January of 2006, and culminated in a conference in Beijing that November.

And they've continued with their political work now focusing more recently on African regional institutions. That event, though, in November of 2006, was, first of all, the largest diplomatic gathering in the history of the People's Republic of China, and it's what made this China-Africa story, the confluence, visible to a much wider nonspecialist audience, people who previously had cared neither particularly much about Africa nor about China and provoked lots and lots of speculation, both about China's rise and about America's decline.

If you'll remember in the fall of 2006, those were two themes which were very much at the forefront of our mind, given how Iraq was going, and it was a perfect storm in terms of something that the media could use to narrate both of these stories at once.

As an Africanist, I was, of course, happy that Africa was being seen in a different light, as an opportunity, as something that was in play, and I think that's part of the story, but I think it also, for broader purposes in terms of U.S. policy, poses an important question which we should consider, which is just because the issue of China's global reach became most

prominent in an African context, does that mean that the African stakes were the most important for the United States?

In dollar terms, in terms of China's, I think, interest in meddling politically and in terms of the other regions' importance to us, the Middle East, Latin America, Asia, and even nowadays Europe--I was recently in Georgia, and there's a lot of new Chinese activity in the Republic of Georgia--those are things which are probably of more concern to us, but I think in some sense those stories have been obscured by the China-Africa hysteria, you can almost call it, that emerged, I think, for reasons unrelated to the actual importance of it.

I say that again as somebody speaking from an African perspective as much as one can to somebody who is not African. I'm not a Sinologist.

Turning now to themes--just as China's interference, both in terms of aid and politics in Africa, is not new--it was, of course, a major supporter of liberation movements in the 1960s and had a number of aid programs, famously the Tamzam Railway, which I believe they're now repairing or helping to repair--neither has the essential political purpose of China's relations in Africa changed since that time.

Above all, China seeks to present itself as a global player and to position itself as a leader amongst developing nations. In order to enhance its influence at the U.N. and in these increasingly powerful groupings, the G-77, for example, which now has 130 members and includes China in a funny status, helps China to realize its ambitions, but also crucially enables it to more deftly pursue its permanent policy of excluding Taiwan from similar institutions.

I think we noticed that effort became even more aggressive after Chen Shui-bian's election in 2000--I should just ask about time. Am I close to the limit because I can accelerate if I need to--

VICE CHAIRMAN BARTHOLOMEW: You've got a minute-and-a-half.

MR. DE LORENZO: I have a minute-and-a-half. Okay. So I'm going to jump to some of the take-away points. The first thing, China's trade and investment with Africa has, indeed, expanded dramatically since 2000, but so has ours and so has Europe's. Everyone's trade and investment with Africa has increased dramatically. The rate of China's increase is greater than ours and greater than Europe's.

The reason is the same in both cases: its energy imports. Even though China's investments in Africa are more diversified than people realize--in terms of the number of firms, for example, 45 percent of Chinese firms in Africa are involved in manufacturing, not in energy, in dollar terms, it's a different story.

In many respects--we can get into this in discussion--U.S. firms and Chinese firms are actually not in competition in Africa for reasons we can talk about. It's very rare that you find a U.S. company going for an

investment and a Chinese company comes and take it away. We compete with Dubai firms and European firms and other American firms.

We can talk about the energy security issue. I'll leave it there. I've written about it. I think it's the issue of China wanting to control the natural resources. If China is foolish enough to think that, first of all, you can control anything in Nigeria or Chad in some kind of permanent way, they're welcome to make that mistake. And there's a reason why a lot of the assets that China is developing were not developed previously by our firms or others, because they're dangerous and risky and not always profitable.

I'm going to leave it at that. In fact, I'm just going to end, since I'm out of time, with, for me, what the core lesson is, because I didn't want to rehash what we already know about all the bad things China does in Africa and can do. I think we have to step back and try and understand from an African perspective what's attractive about what China is doing because, of course, China is attractive to Sudan and Zimbabwe, which is usually the first countries we talk about in terms of the China-Africa relationship, but it's also incredibly attractive to perfectly well-governed African countries which have very strong relations with the United States.

The main reason for that is they can get something from China which they can't get from us or almost any other part of the international system, namely, support for economically productive infrastructure. Those are the key bottlenecks to African economies, and until our Millennium Challenge Corporation is able to push money through at the levels which will enable it to realize its full promise, the United States doesn't have a mechanism for delivering that.

I guess what China is showing us is, as the different parts of the developing world or themselves become richer and able to offer services to each other, our monopoly relationship in terms of aid and investment is crumbling. It has consequences for the World Bank and other IFIs, their ability to impose conditionality. You've noticed a series of agreements between the World Bank and the Chinese authorities over the past year. They didn't do it because they wanted to; they did it because they had to.

And unless the United States develops similar tools--it's not going to behave like China--but develops tools where we can offer, improve, enrich the content of our strategic partnerships with countries in the developing world, particularly in Africa, we're never going to be able to regain the ability to exercise our foreign policy, conduct it through multilateral institutions.

China knows that Africa is the biggest bloc in any multilateral institution, and that's one of the reasons why it's attractive politically, to have a political relationship with Africa. Our relationship with Africa is humanitarian and not political, which is why, many reasons why not a single African country voted with the United States on U.N. management reform

and the U.N. Human Rights Council. Until we have a political relationship, we're in trouble.

Thank you.

Panel III: Discussion, Questions and Answers

HEARING COCHAIR BLUMENTHAL: Thank you both very much. I will take the first question. When you think about the foreign policy objectives that we've heard, and we've heard a number of different foreign policy objectives--keep the CCP in power; economic growth; control over the regional periphery; rise to great power status; reassurance. When you think about tools of economic statecraft, such as negotiating FTAs, sanctions on the negative side, straight payoffs, straight inducement versus sanction, is it possible to divide Chinese activities in support of foreign policy neatly into baskets? This just falls into normal economic activity, economic growth; this falls into trying to further a policy of isolation of Taiwan, this falls into, in the case of Burma or near state, control over its regional periphery.

Is it possible to make those sorts of neat distinctions in either Africa or in Southeast Asia?

DR. GRINTER: No, it is not in my view possible to make those neat distinctions in Southeast Asia, and I think the Chinese have obvious contenders and agenda setters and that the competition within their decision-making that informs and drives and directs foreign policy is indeed becoming more complex.

I've often wondered about Chinese ambassadors in these five capitals who have to represent Chinese policy and also interpret local reactivity to Chinese policy, and what they must be saying back to the Foreign Ministry and to the State Council and the CMC.

There is probably a strategy of opportunism here with regard to the five countries informed by, however, a bottom line, particularly for Burma, a different kind of bottom line for Thailand, and an absolute historic manifest arrangement for the Vietnamese.

So given those kinds of conditioners, the Chinese may be allowing the economic people and the economic criteria to go with it, but I still believe that the CCP and the CMC condition and ultimately conform the basis of the overall policy and bilateral activities.

MR. DE LORENZO: Answering that question in the African context is very challenging simply because the nature of the tools they use is, by deliberately, I think, opaque. No one, I don't think, can tell you which parts of what they're doing are aid and which parts are trade-based, which parts are loans, neither in terms of the official DAC definitions nor even in terms of what they think it is. It comes from different ministries. Some is related

to companies and others not.

The major tools are deployed obviously in the most important states. The most famous case is the Angolan credit line that you probably heard about which I think is now up to seven billion or ten billion--again, it's hard to tell--backed by oil.

But even in smaller states that have no particular strategic interest for China in terms of energy, you'll find them swooping in to contribute economically valuable things. They paid the civil servants, for example, in Guinea-Bissau, which is otherwise known as a transshipment point for South American cocaine to Europe.

So you have these funds, you have infrastructure investments, and you have a number of other tools that are deployed, but in a way which is totally opaque, and in a way which a number of African governments are increasingly frustrated with if you can corral a minister of finance off the record. And you start to realize that all the numbers you see about Chinese aid commitments or Chinese investments need to be taken with a grain of salt because what's announced in Xinhua and what actually gets delivered to the government are two different questions.

And the level of negotiation, without naming, in conversation with a head of state, it's literally at the level of if you give us that mine, we'll build you this road that you need. The head of state said no, but that's how, tit for tat.

HEARING COCHAIR BLUMENTHAL: Thank you. Chairman Wortzel.

CHAIRMAN WORTZEL: Gentlemen, thank you both for your time and your testimony. I've got a couple of questions for Dr. Grinter. I'd be very interested in your assessment of what organization in China, ministry, is responsible for the construction of and widening of the new roads, and I understand there's to be a rail line to parallel the expanded Burma Road, at the ports?

You see these press allegations that these are military bases and will be used by the military--you alluded to it--on radar sites or maritime listening posts. So I wonder if you can somehow either substantiate or discuss the level of validity of those allegations as you see them?

And then I want to ask about the traditional problem of drugs going across the border from Burma and parts of Laos into China and whether there the Chinese are effectively controlling it?

I want to thank you in your testimony for bringing up the problem of the damming of the Salween and Mekong by the Chinese. Very few people pay attention to that. It is one of the major resource conflicts that is evolving, and those smaller Southeast Asian countries or South Asian have almost no recourse except guerilla warfare.

Thank you.

DR. GRINTER: Commissioner, on the drugs and the Golden Triangle,

as we know, that drug flow has been eclipsed in dollar volume by the drugs out of Afghanistan in terms of export dollar volume.

There have also been a variety of arrangements between Yangon and the Katchin and the Shan states. The problem for China is the spillover of the drugs carried by triads down into the coastal areas, Guangzhou and so on, for export. So the Chinese have always had a porous and insecure border up there. The extent to which it is tolerated, siphoned off, looked the other way, or they try to stop it, I can't tell you.

Regarding which ministries or which types of companies and so on are involved in helping to build these and finance these various port facilities on the Bay of Bengal across from India, I'm not sure of that either. We think that the listening post, and the intelligence collection and the monitoring is in place. Most of the Burmese specialists I read indicate that. We simply don't know for sure, but the Indians would know the extent to which they are seeing radar catches and so on monitoring their missile tests.

So I can't substantiate the intelligence side of that for you. I've simply seen the indications of this for 15 years now, and I think it would make a lot of sense from the Chinese viewpoint. Also related to this are the oil proposals and the oil pipeline proposals, particularly through Sittwe, and I think that's analogous to Gwadar on the other side with Pakistan. I think that is really the fundamental strategic access option that the Chinese are trying to lay through Burma.

That would then give them, along with Gwadar near the Iranian border, a way not to worry nearly as much about the Malacca Straits.

CHAIRMAN WORTZEL: And that would follow the Burma Road, parallel the Burma Road right up in there.

DR. GRINTER: It would parallel that. Now, the Thais, of course, have offered, I guess for a hundred years, a Kra Isthmus capacity or option. They may well be talking to the Chinese along the lines of a \$20 billion investment, but I think the Burmese have got the inside road on that, and after all, Burma is much more compliant.

CHAIRMAN WORTZEL: And is the road that the People's Liberation Army built from China through Laos down into Thailand now functional and open for traffic and commerce?

DR. GRINTER: I believe it is, yes.

HEARING COCHAIR BLUMENTHAL: Thank you. Commissioner Bartholomew.

VICE CHAIRMAN BARTHOLOMEW: Thank you very much and thank you, gentlemen, both of you, for being here. I have one question for both of you and then one specifically for Mr. De Lorenzo, but the question for both of you is one of the things that we've noticed over the course of the past or certainly the five years that I've been on this Commission is surprise periodically at the rapidity of China's growth in different areas.

So, for example, people say, well, this economic growth is amazing, but it's going so much faster and it's so much bigger than we had ever expected.

Similar concerns on the military front, how their military is growing. We keep being surprised by things that we didn't know about.

Do you think the pace at which China is participating in affairs in Asia, Southeast Asia, in Africa, is a measured pace, or do you think in another two or three years everybody is going to stand up and say whoa, this has gone a whole lot faster than we ever would have thought and is a whole lot bigger than we would have thought?

MR. DE LORENZO: In Africa, it will depend on where your plane lands.

DR. GRINTER: Depend on what?

MR. DE LORENZO: It will depend on where your plane lands. In countries where there's already significant manufacturing enterprises like Nigeria, which have been there in some cases for many years, and where there's an addition, energy investments in Angola, I think it's going to continue to grow, to mushroom, both in terms of the number of Chinese, the value of what they're doing there and so forth.

In other parts of Africa, even now, even with all of the hysteria, there are more Chinese people, more Chinese enterprises, but there's more of everybody. Rwanda, Uganda, Kenya, Zambia, everywhere you go, there are more people in Africa doing business there because Africa is growing and has been for a number of years, not just in resource sectors, but in a number of sectors, which is good for Africa, and China in some sense is contributing to that, although less directly than some of the boosters claim because of the nature of the companies they're deploying there.

But I think it will be much more modest in countries which are not key natural resource sectors, don't have key natural resource things. It will be much, I think, like other countries in that respect because their businesses are subject to the same growth restraints as every other business in those environments are.

They've a slight advantage in that they don't always need to show a profit, but there are some constraints.

VICE CHAIRMAN BARTHOLOMEW: Dr. Grinter.

DR. GRINTER: Yes, Vice Chairman Bartholomew, I wouldn't be overly alarmed at the growth of Chinese economic trade levels or military modernization. I say that because I am struck by the fact that the success of Chinese policy, as the success of American policy, is constantly conditioned by the facts on the ground and the types of governments and the reactivity and the flux within those governments.

There are a number of things that are evident that are producing this reactivity. First, it is intriguing to see the difficulties the Chinese have in

getting their way in Burma in spite of the strategic implant they've got there. It's just too corrupt; it's too difficult.

Now we've had some experience with corrupt and difficult governments. What big power doesn't? Be it India, the United States, China, et cetera, and I'm not drawing any moral equivalence here when I say that. But we're already seeing the hedging, the reactivity, the mixed bandwagoning and hedging that goes on in Southeast Asia.

We know about the possibilities of the "String of Pearls" and the reactivity to the "String of Pearls." So I would say that our best strategy is to work with the natural ingredients that we have and friendships, bilateral and multilateral, because the reactivity to the rise of China is a fact, and I think it plays into our hand if we in turn don't overreact or overposition on areas of the world to where we become neglectful and realize things are slipping away.

VICE CHAIRMAN BARTHOLOMEW: I think I'll have to move my other questions into a second round of questions.

HEARING COCHAIR BLUMENTHAL: Sure. We have Commissioner Fiedler and then Commissioner Reinsch.

COMMISSIONER FIEDLER: I have two questions. One, could you expand a little on the Vietnamese? You made reference to their historical situation, and more than a little, it's both ancient and recent, including not just 1979 but more to what's going on in the Spratlies and the Vietnamese's reaction in terms of building relationships with others?

DR. GRINTER: Yes, sir. A quick story. Three years ago, I went to the Hoa Lo Prison in Hanoi, had a look up there, thought for sure the whole thing would be dedicated to the American "pirates", the "air pirates" in the seven years of captivity. It's not. John McCain's flight suit and Jane Fonda's wonderful photography occupies only a small corner of that.

The vast majority of the prison is dedicated to what the French did to the Vietnamese. There are four cells, four cells with four gold stars on them. Every one of those stars represented a future general secretary of the Vietnamese Communist Party--Truong Chinh, Le Duan, and so on.

I was astonished at the imbalance, but I'm a naive American in that regard. Streets in Hanoi and Saigon (now Ho Chi Minh City) are named for Vietnamese patriots that fought the Chinese, Tran Hung Dao, Le Loi, et cetera.

This is the longest memory in Southeast Asia: the Chinese and the Vietnamese. It's just so evident. It's so obvious. They take it so seriously. Their history is taught this way. Sure, 1979 was the most recent invasion, but it goes back repeatedly many times.

I'm wondering if once the Chinese do indeed deploy serious naval power down into the South China Sea and the Spratlies, how long the Vietnamese and the Chinese are going to get along or whether the current

border arrangements, the joint arrangements, and so on, will simply be put aside again as the old serious ethnic differences and historical animosities come through.

I think that's in our favor, not that we can exploit it easily, but it means the Chinese and the Vietnamese are always on guard about each other.

COMMISSIONER FIEDLER: My question to you, Mr. De Lorenzo, is could you estimate how much of Chinese economic activity in Africa is related to their state-owned companies?

MR. DE LORENZO: Most of it in terms of volume, in terms of the overall dollar amounts, but again in terms of the number of firms and the number of individual entrepreneurs, there's quite a significant amount which is not related to the state at all, and in some respects it predates the involvement of many of the state-owned firms.

When I first started living in Africa in the late '90s, you would already see individual Chinese entrepreneurs, often in the health sector, restaurants obviously, but in retail, import-export, and expanding on those businesses as well.

Every place, every town you go to in Africa nowadays has a large community of Chinese business people, Diaspora, who have nothing to do with the Chinese state at all. But in terms of what's important, in terms of the dollar amounts, and in terms of the Chinese engagement which is of strategic significance, virtually all of it is connected to state-owned companies.

COMMISSIONER FIEDLER: Thank you.

HEARING COCHAIR BLUMENTHAL: Commissioner Reinsch.

COMMISSIONER REINSCH: Dr. Grinter, your response to Commissioner Fiedler's question struck me as essentially saying that history trumps ideology. Is that your point?

DR. GRINTER: Yes, indeed.

COMMISSIONER REINSCH: Is that true elsewhere in the region besides Vietnam?

DR. GRINTER: I would say so, but let me ask you to clarify what you mean by ideology.

COMMISSIONER REINSCH: I'm not sure what I mean. I was just trying to think of a nice clever phrase.

DR. GRINTER: Does history--

COMMISSIONER REINSCH: Politics.

DR. GRINTER: All right. Two would-be former Communists. So you're referring to which countries now? China and?

COMMISSIONER REINSCH: Oh, Laos, Cambodia, Thailand, the ones you've been talking about, Burma. I have a second question. But I'm just curious about this.

DR. GRINTER: In a sense, China has one up on the United States

because every government it deals with in mainland Southeast Asia except Thailand, and actually very recently Thailand, is an authoritarian regime or a dictatorship. So they can work their arrangements comparatively efficiently.

But then you get into the historical and ethnic realizations and memories, and if it's 500,000, maybe it's 1.5 million Chinese that are now inside Burma, and this brings us to another question, another interesting thing.

The Chinese don't interfere in other countries' internal makeup or do they? Do they? And is there this constant worry? Yes. It wasn't too long ago before Malaysia became rich and even in the Philippines very recently, you could see signs in Malay and Philippine cities that showed a very ugly person getting ready to steal their rice bowl. They understand.

So I think the hedging and the carefulness about China is a definite factor and, of course, the Indonesian-Chinese relationship was very bad for a long time.

COMMISSIONER REINSCH: Thank you. In your testimony, you referred to, I think, U.S. sanctions on Burma and suggested that the effects were not always as we had anticipated. Can you elaborate on that, please?

DR. GRINTER: Do our sanctions drive Burma into a deeper and tighter embrace with the Chinese? Or are they necessary given our form of government, our trumpeting of democracy, and our standing out as the freest major country in the world?

Sanctions always bring about dual and triple effects. They have caused some problems for the Burmese junta. I think they may well have caused problems for some of the Burmese people. I wouldn't suggest taking them off nor are the British nor is the European Union planning to do that. In fact, the British and the European Union have tightened their sanctions given 2003, the near killing of Suu Kyi, and in September 2007, the killing of hundreds of demonstrators.

But sanctions almost always have dual and triple effects, some of which are not always positive for one's policy.

COMMISSIONER REINSCH: Thank you. Mr. De Lorenzo, there have been a lot of press stories lately about Chinese economic activity in Africa. Some of the stories have focused on the activity backfiring, if you will, not having, producing a negative reaction inside Africa for a variety of reasons that you know better than I. Is there any sign that the Chinese have learned anything from those episodes as in Zambia and elsewhere or is their policy essentially unchanged?

MR. DE LORENZO: There is. But let me preface that by saying that the Zambian case where a lot of the most vivid cases of African resistance or protest about Chinese involvement is a bit special because of the history, the very special history of Zambian labor unions and the structure of Zambian politics in the context of its elections, and so things get magnified there.

It doesn't mean the issues aren't real, but it's important not to take

Zambian politicians looking for an angle upon which to campaign as something which represents a phenomenon all across the continent.

There's a lot of resentment in markets because of people being chased out of, people losing their competitive edge. In the few places in Africa where there actually are industrial concerns, like in the Zambian mines, there's complaints about working conditions in the mines if you compare that with the working conditions before the Chinese companies came, which was there were no jobs and often case state-owned, Zambian state- owned firms which have not the best track records.

But there is an increasing awareness. No one rushes off, in my experience, to go work for a Chinese firm, a Chinese enterprise, if you have other choices. It's not seen by anyone as the number one choice in the country.

COMMISSIONER REINSCH: Yes, but are the Chinese learning anything from these episodes?

MR. DE LORENZO: So, because of press reports, there's been embarrassment, and in the Zambian case and I think also in Kenya, there have been directives from Chinese embassies to improve behavior and not do the kinds of things which attract public attention.

So, yes, but in the context of embarrassment and PR which suggests that it's important to keep the focus, the media focus, on those things because it changes behavior.

COMMISSIONER REINSCH: Thank you.

VICE CHAIRMAN BARTHOLOMEW: Thank you. and I have a second round of questions myself. I just had originally one for you, Mr. De Lorenzo. When I spoke at AEI on China and Africa, I think that was two years ago?

MR. DE LORENZO: That was a little more than a year ago.

VICE CHAIRMAN BARTHOLOMEW: Okay. And I always like to mention that because coming from the Democratic side of the aisle, when I speak at AEI or Heritage, I always feel like "whoa"--bipartisanship at work.

But I remember somebody asking a question about the Chinese Diaspora in Africa. At the time I had thought the premise of the question was absurd, which was not is there a Diaspora, but that somehow this Diaspora was intentionally being seeded through Africa in a variation of what the Chinese have done with the Han Chinese in Tibet.

I wondered if there is any evidence or are these just laborers or businesspeople who are going for opportunities and staying? Any evidence that there are any Chinese policies about settling Chinese people in African countries?

MR. DE LORENZO: Not that I've ever come across.

VICE CHAIRMAN BARTHOLOMEW: Okay.

MR. DE LORENZO: All the Chinese individuals who I've become

friends or acquaintances with have their own individual crazy story, which does not involve being sent by the government.

VICE CHAIRMAN BARTHOLOMEW: Okay.

MR. DE LORENZO: And the story just in general of Chinese policy in Africa is in some sense, the government was pulled by state-owned companies and by individuals rather than those people being pushed by them, if you look back to the mid-'90s when this started to take off.

VICE CHAIRMAN BARTHOLOMEW: And when we started becoming very aware a few years ago, as you noticed, of China's increasing role in Africa, there was concern among a number of people about the fact that the Chinese were bringing their own laborers into work on these infrastructure projects. So there was no income being created for the Africans. They were getting no training. They were getting no skill sets out of it. Is that still the case?

MR. DE LORENZO: It's the case in countries that still aren't standing up for themselves. It's not the case, for example, in Nigeria, in Mozambique, in a number of cases where the governments have imposed that as part of the negotiations.

VICE CHAIRMAN BARTHOLOMEW: So there are some African governments that are saying that--

MR. DE LORENZO: There are. There are. But there's a cost because the project gets done less quickly in a higher cost and so the Chinese will force you to factor that in to the overall.

VICE CHAIRMAN BARTHOLOMEW: The question I was going to originally ask you since the Millennium Challenge Corporation came up: of course, one of the guiding principles of the MCC is to increase transparency, increase good governance, and while I see what you're saying about the challenges of needing the MCC in order for infrastructure to be funded by the United States government, I also question how the MCC can possibly be successful in African countries when these countries, many of them, can get financing from the Chinese government with none of these kinds of conditions or strings attached?

MR. DE LORENZO: That's an important question. One response to it is that African countries desire an MCC Compact because of the reputational benefits that accrue to them independent of whatever the effects of the things in the Compact. And you find countries are reorganizing bureaucracies to meet these indicators because it can become almost a marketing tool for themselves.

And they prefer our stuff if they can get access to it. The Chinese stuff, the roads, are of lesser quality. There's all of this doubt about whether it really gets done. There's corruption. They feel less, they have less control over what's going on. They prefer to deal with a U.S. agency if they can.

We're obviously not going to be able to deliver large-scale infrastructure to Guinea-Bissau. But we should be able to do it, and only really should do it, in countries that perform relatively better than their peers on these indicator measures, so that our public has confidence that the investments are well made and so that they actually have the effects. Because one thing we've learned about development is if you plunk a port in a country that has no functioning institutions, it won't make any difference. It only works in a place that meets some of these minimum standards.

VICE CHAIRMAN BARTHOLOMEW: But then do we have to be concerned about the Chinese swooping into the countries that are not the good-performing countries?

MR. DE LORENZO: Right.

VICE CHAIRMAN BARTHOLOMEW: When we've seen where they've invested in the past Burma, in Asia, Sudan, these aren't countries that would be anywhere near being considered for MCC anyway.

MR. DE LORENZO: No. Exactly. And it's a very serious issue because the real danger to African countries in terms of governance long term from this Chinese engagement, the aid in particular, is not that they're going to sort of by osmosis adopt a Chinese style of authoritarianism per se. They might have their own style already. They don't need a new one.

But what it does, just like oil-rich states tend to not be democracies in Africa and most other places because you don't need parliaments to function, large amounts of unaccountable aid can have the same effect and have been shown to have similar effects from our own giving in different places.

We've taken some measures to mitigate that. The Chinese don't and I'm sure aren't interested in it. And that's where you could see really permanent long-term negative effects on the trajectory of African growth institutions and the quality of democratic institutions in Africa as a result of this.

VICE CHAIRMAN BARTHOLOMEW: Wonderful. Okay. Thank you. Anybody else have any other questions? Commissioner Reinsch.

COMMISSIONER REINSCH: Something you just said struck my curiosity. Are you familiar with the World Bank's country systems procurement proposals?

MR. DE LORENZO: Not in detail.

COMMISSIONER REINSCH: Ahh. All right. We'll pursue that privately then rather than here. Thank you.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Fiedler.

COMMISSIONER FIEDLER: Yes. Dr. Grinter, what's your view of the Chinese believing that the Burmese government may collapse?

DR. GRINTER: They don't want it to collapse. They're doing all they can to keep it from collapsing. I suspect they are quite reluctant for a multilateral discussion on the internal behavior of that junta. If it does

disintegrate, they not only lose money, the process of disintegration could be ugly for half a million Chinese in Mandalay and the Irrawaddy Valley, and they could lose access to the Bay of Bengal. So I think it's very important to keep it propped.

That said, it's not easy to keep it propped given the flux and the divide-and-rule approach of this very ill senior General Than Shwe.

COMMISSIONER FIEDLER: And does it explain why perhaps they meet with the opposition in various countries outside of Burma?

DR. GRINTER: That's interesting. I don't have much information on that. They may be trying to--

COMMISSIONER FIEDLER: Hedge.

DR. GRINTER: --set up a future option or be knowledgeable of a future option. I suspect they also do some things with North Korea that we're not fully aware of, too.

COMMISSIONER FIEDLER: Thank you very much.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Thank you very much, gentlemen. We appreciate it and look forward to a continuing dialogue with you. We will take a break until 2:15.

[Whereupon, a short recess was taken.]

PANEL IV: TOOLS OF CHINA'S STATECRAFT: MILITARY AND SECURITY

VICE CHAIRMAN BARTHOLOMEW: Our fourth panel will continue our in-depth examination of China's foreign affairs by focusing on the military and security components of China's foreign policy.

Our first speaker and a return witness for us is Dr. Cynthia Watson, who is a Professor of Political Science at the National War College here in Washington. She is an expert on China's relations with Latin America and has also researched Taiwanese involvements with Latin America.

Additionally, she has written extensively on nuclear developments, conventional arms issues, political violence and civil military relations in the third world.

Our second witness in this panel is Colonel Philippe D. Rogers. Colonel Rogers is the Command Inspector General of the United States Marine Corps Special Operations Command at Camp Lejeune, North Carolina. From July 2000 to January 2001, Colonel Rogers served as a military observer and team site commander in MINURSO, the U.N. peacekeeping mission in the Western Sahara.

Colonel Rogers has four master's degrees and has published analyses of the PLA's involvements in peacekeeping operations and in Africa in several prominent security journals.

We are very thankful that you could both join us today. We look

forward to your testimony, and, Colonel Rogers, I must say if you have four degrees, unless you did them simultaneously, you must have started working on your graduate degree when you were about 12-years-old. Welcome. Dr. Watson.

**STATEMENT OF CYNTHIA A. WATSON, PhD
PROFESSOR OF STRATEGY, THE NATIONAL WAR COLLEGE
WASHINGTON, D.C.**

DR. WATSON: Thank you very much. I appreciate the opportunity to come speak with the Commission this afternoon. I have been pursuing this topic for about five-and-a-half years, and while there are more people who are looking at it today than has been true in the past, I think that it's been one of the more lucrative aspects of the Western Hemisphere studies that's been ignored by far too many people.

I'd like to only make a few remarks, highlight the part of what I have to say that's somewhat different than what I've said in the past, and I'd like to then enter my testimony as given to you in full for the record. These are my personal views, not those of the Department of Defense, National Defense University or the National War College.

Chinese involvement in Latin America today is by any measure much greater than it was at any point in history. The geographic distance between China and Latin America remains and will always be a prohibitive factor in the development of exceptionally strong ties. But in the age of mass transit in a globalized world, the ties are certainly stronger than they were in the past.

Between 1949 and 1970, Castro's Cuba was the only state that had relations with the People's Republic of China, but beginning in 1970, '70-'71, when the PRC assumed its seat that it still holds on the Permanent Security Council of the U.N., then it's been the case that states in the region began shifting recognition from Taiwan, which had held recognition by states, beginning in 1949, to the PRC.

This coincides with China's early beginning rise in the international scene. But since the last 1990s, China has had both the economic reserves and requirements to find resources to pursue its broader agenda along lines that Latin American offers to it. It also has a much greater confidence to reach out to regions largely ignored in the past.

These efforts have been multifaceted. My understanding is that at these hearings today, you are pursuing concern about the role of the People's Liberation Army in this broader Chinese interest in the region. China's leadership has clearly decided to expand its presence in the region, commensurate with Chinese national interests.

I believe that this decision relates directly and firmly to Beijing's

mission of reclaiming a great power status in the international community with a strategic vision that great powers have roles in all parts of the world. China's engagement with the region is not the highest priority for Beijing and should not be misunderstood.

The PRC's growing ties with Latin America are measured and are intended to create a more sustained relationship, but not at the cost of creating panic in the United States. And I'm certain that we might want to return to that particular topic.

My current appraisal does not mean that Chinese involvement might not increase in the future. China's obvious desire to return to its self-proclaimed role as a global power will require a future presence, diplomatic and otherwise, in Latin America as well as in other regions of the world.

The key factor for the U.S. strategists is whether that role has achieved a markedly increased and possibly threatening position in the Western Hemisphere based on military linkages? With greater U.S. attention diverted elsewhere, Latin America will continue looking for other partners, and we should make no mistake in understanding that.

Military leadership within the region will desire expanded opportunities for military education, interaction and weapons modernization. If Washington is not interested in having a sustained, deep and satisfying, mutually respectful relationship with Latin America, Latin America will turn elsewhere.

Latin America may ultimately choose to interact with the PLA more fully than is currently the case, but this choice would depend upon decreasing linkages with and interest on the part of the United States rather than because of Chinese intervention in the region.

I do not believe that China would be the driving factor in this relationship. Let me repeat that. I do not believe that China would be the driving factor in that relationship. Instead, U.S. lack of interest in a region where armed forces see a natural tie, meaning between the United States and the region, within the hemisphere would allow for greater PLA involvement because Latin America feels somewhat abandoned.

Another possible entry for PLA engagement with Latin American armed forces would result from increased restrictions on U.S. military ties to the region, such as those limitations imposed during the military regimes of the 1970s and '80s. This is not an argument for ending political sanctions on Latin American militaries where the U.S. Congress and/or executive see them as necessary.

Rather, it is a reminder that strategy, ala what Dr. Grinter was saying on the prior panel, it is a reminder that strategy always results from decisions to prioritize goal and may have unintended consequences.

For China, the important relationship remains and is likely to remain for the foreseeable future that with the United States, and in Latin America,

similarly, the U.S. connection is still important.

China will continue to employ its military as a vehicle for carrying out foreign policy plans, but that military is and will almost certainly remain under the close range of the Chinese Communist Party and civilian leadership and pursue their goals.

Thank you.

[The statement follows:]

**Prepared Statement of Cynthia A. Watson, PhD
Professor of Strategy, The National War College
Washington, D.C.**

Good afternoon. I appreciate the opportunity to discuss the results of my on-going research on Chinese involvement in Latin America. I have been studying this topic for the past five and a half years, which has been a period of expansion in such involvement. These are my personal, not Department of Defense, National Defense University or National War College, views based on interviews, readings, and watching the trends.

Chinese involvement today in Latin America is greater by any tool of measurement than it has been historically. The geographic distance between China and Latin American states was a prohibitive factor in the development of strong ties before the age of mass transit and the globalized world. China's ties with the region between the founding of the People's Republic of China (PRC) in 1949 and 1970 was limited to Castro's Cuba, but the Latin American states begin shifting their diplomatic recognition from Taipei to Beijing in the early 1970s, coinciding with China assuming the permanent seat on the United Nations' Security Council in 1971. Since the late 1990s, China has had both the economic reserves and requirements to find resources to pursue a broader agenda around the world along with a greater confidence to reach out to regions largely ignored in the past. These efforts have been multi-faceted.

The People's Liberation Army (PLA) involvement in Latin America is a subset of broader Chinese interest in the region. China's leadership has clearly decided to expand its presence in the region commensurate with Chinese national interests. I believe that this decision relates directly and firmly to Beijing's mission of reclaiming a "great power" status in the international community with the strategic vision that great powers have roles in all parts of the world. China's engagement with the region is not the highest priority for Beijing and should not be misunderstood: the PRC's growing ties with Latin America are measured, and are intended to create a more sustained relationship, but not at the costs of creating panic in the United States.

The specific concern you are addressing in these hearing includes using the PLA as an instrument of statecraft. In Latin America, I believe the PLA is a tool the Chinese are using somewhat successfully. PLA officers make periodic visits to the region, usually with reciprocal trips to China by Latin American military officials, but these are significantly less than Beijing's investments in military ties with the United States. China invites Latin American military officers to the PLA National Defense University "foreign officers' course", but the Latin American militaries would almost invariably prefer to attend professional military education (PME) in the United States.

Furthermore, the PLA segregates foreign students from the Chinese officers, thus degrading the value of the PME opportunity. Latin American officers would strongly prefer engaging directly with officers from a major world military, which the PLA option does not allow. In fact, those states sending officers to the PLA foreign course almost invariably are those which have been banned from attending U.S. PME because of Congressional concerns about human rights or some other specific concern. There is only one regime, that in Caracas, that appears to prefer sending its officers to China for PME, but I will address this peculiar case below. PME through the PLA is,

however, a form of expanding China's role in the world because it broadens the ties that China has with others, in direct contrast to much of the first fifty years of the PRC's existence when its outlook was internally-focused.

Of particular interest in the PLA relationship with the military under Venezuelan President Hugo Chávez Frías. Chávez Frías has made several trips to Beijing and the impetus for the relationship appears to come strongly from his initiative rather than Beijing's, as illustrated by Hu Jintao's decision not to stop in Caracas in November 2004 when on an extended tour of the region. The Venezuelan president avidly seeks better ties with the PRC, including more substantial arms sales and coordination between the PLA and Venezuelan forces. But the reasons for these policies are anti-U.S. rather than because of any natural affinities with China. No historical ties exist between Venezuela's military and the PLA. While China certainly seeks to enhance its petroleum and energy options with providers globally, the highly volatile government in Caracas is precisely the type of regime that Beijing interacts with cautiously, calling to mind the Mugabe government in Zimbabwe where Beijing certainly has ties but arguably relatively cautious ones. It appears perfectly plausible that Beijing has actually been notifying Washington of its interactions with Caracas.

The PLA involvement in Latin America is only one of the tools the PRC is using to forward its desire to broaden ties around the world. Trade between Latin America and China is growing significantly because both states find the trade beneficial. The intention of the World Trade Organization, however, is to enhance precisely this type of trade as does the United States with its avowedly free trade posture. In the era of lowering tariffs and expanding opportunities resulting from increased options due to technology and political intentions, the expanding Latin America-Chinese connections are the type of outcome the United States ought to expect. They are not currently threatening to U.S. interests unless we see the hemisphere in exclusively zero-sum terms.

Those who most fear Chinese incursions into Latin America imply that the regional governments will not realize that China is a threatening presence. I would note that, to the contrary, Latin America is exceptionally sensitive to the idea of any violations of its sovereignty by any major power. Latin American countries will not simply allow Beijing to expand into the region because they naïve. For instance, the Latin American nations are keenly aware of the PRC's failure to follow through on its promises for investment; the regional states are determined to receive treatment as a respected, sovereign portion of the world. If anything, Latin America is acutely critical of outsiders for fear of being on the receiving end of massive "disrespect".

My current appraisal does not mean that Chinese involvement might not increase in the future. China's obvious desire to return to its self-proclaimed role as a global power will require a future presence, diplomatic and otherwise, in Latin America as well as other regions of the world. The key factor for U.S. strategists is whether that role has achieved a markedly increased, and possibly threatening, position in the western hemisphere based on military linkages. With greater U.S. attention diverted elsewhere, Latin America will continue looking for other partners. Military leadership within the region will desire expanded opportunities for military education, interaction, and weapons modernization. If Washington is not interested in having a sustained, deep and satisfying, mutually respectful relationship with Latin America, the latter will turn elsewhere.

Latin America may ultimately choose to interact with the PLA more fully than is currently the case but this choice would depend upon decreasing linkages with and interest on the part of the United States rather than because of Chinese intervention in the region. I do not believe that China would be the driving factor in this relationship. Instead, U.S. lack of interest in a region where armed forces see a natural tie within the hemisphere among regional militaries would allow greater PLA involvement.

Another possible entry for PLA engagement with Latin American armed forces would result from increased restrictions on U.S. military ties to the region, such as those limitations imposed during the military regimes of the 1970s and 1980s. This is not an argument for ending political sanctions on Latin American militaries where the U.S. Congress and/or Executive see them as necessary. Rather, it is a reminder that strategy always results from decision to prioritize goals in national security at the same time as running the risk of unintended consequences.

For China, the important relationship remains and is likely to remain for the foreseeable future, that with the United States. And in Latin America the U.S. connection is still important. China will continue to employ its military as a vehicle for carrying out foreign policy plans. But that military is and will almost certainly remain under the close reins of the Chinese Communist Party and civilian leadership.

VICE CHAIRMAN BARTHOLOMEW: Thank you, Dr. Watson.
Colonel Rogers.

**STATEMENT OF COL. PHILIPPE ROGERS, USMC
COMMAND INSPECTOR GENERAL, MARINE CORPS SPECIAL
OPERATIONS COMMAND, CAMP LEJEUNE, NORTH CAROLINA**

COLONEL ROGERS: Thank you very much and thank you for inviting me to the panel today. Of course I have to give you the disclaimer that nothing I say today represents the Department of Defense, the Department of the Navy, of course, and the United States Marine Corps, the Marine Special Operations Command.

I'd also like to bring to the attention of the panel that I'm not a Sinologist. I know you read this in my testimony. I'm not a China expert nor do I pretend to be, but there are some things that led to my interest in China, specifically the MINURSO Western Sahara mission that I participated in as a peacekeeper.

We don't send many peacekeepers overseas, and actually I volunteered to do this just because it was a prelude. I wanted to go speak French in Africa, work with the Moroccans before I went to the French War College. Little did I know that I would run into and become very good friends with the Chinese officers who were kind of splitting the lead on the mission in the Western Sahara with the French, although there were representatives from, I think, 30 different countries at the time.

But that was my introduction. And I can talk about my other run-ins with the Chinese in Africa. Of course, when you get to the War College, as Dr. Watson will tell you, you need to pick a subject and you need to get pretty smart on it, and you need to write papers pretty quickly. So, this is something that did very much interest me, and that's what led to my "China and U.N. Peacekeeping in Africa" article which was published in the Naval War College Review, and then after that I jumped and kind of made a leap to, "Hey, let me look at this a little bit further, and let's look at countering Chinese influence in Africa.

Now, I'm not a panda-hugger, nor necessarily am I scared of the dragon. I kind of picked one side of the topic as if we were looking at offensive realism, as John Mearsheimer would say -- that's the art of trying to strike counterbalances to where we are not in the world -- that's what I

chose to explore.

Certainly there is cause for alarm, although it has been touched upon, and I won't go into the details because I think everybody knows here what we've talked about as far as the level of influence that China is gaining in Africa. We need to scale and scope this influence because it does, in varying degrees, actually, trail that of the EU, America.

But I would say, ma'am, you brought up the question earlier here, it is surprising over, if you look two years, five years, ten years down the road, as Jonathan Pollack told us at the War College--I took an elective with him--we have to always remember the Chinese are looking 50, 100 years down the road. They are looking at the long view, which is something, I think, we get tripped up a little bit just because of the dynamics of our administrations, as we change every four/eight years, and change our cyclical interest in various regions of the world.

We have to always remember, at least that's what I've been taught--I can't tell you from first-hand experience--that they are looking definitely down the road.

I saw an article today on 2015, they still will not be able to launch an attack or what have you across the Straits (of Taiwan). They're already looking, I would say, to the end of the century, or 2050, this is often a kind of benchmark I hear them talk about.

Talking about their influence in Africa, I think it's important to remember, we are grasping with an overall or coherent strategy for Africa. China comes in very well armed as a full-on supplier of package deals. And it was brought up earlier, and I'd have to say that although it seems like it is a one big juggernaut coming at you, I think a lot of them--I can't testify to this necessarily--but I think the panel knows that a lot of these are individual efforts, and I'm not sure if they're controlling everything (from Beijing).

A lot of these things they introduce, they encourage, they have exchange programs, but once they get essentially imbedded in a society, I think a lot of it is individual endeavor and Chinese folks running off with their own agenda. So not necessarily controlled from Beijing, but it's certainly pushed as evidenced by the China-Africa Economic Forum that was brought about with the 47 countries attending. That was incredibly huge in scope.

I will talk about, though, the level of peacekeeping in Africa which I think ties in. They specifically mention in their White Papers for Defense and also their White Paper for Africa, I think 2004, 2006, respectively published, that they look at peacekeeping as international security cooperation, something which we don't do. They have more peacekeepers in Sudan than we have total, I think we have 350 total Americans deployed worldwide as peacekeepers. That's okay. That's our choice. We do it

different ways. We choose to engage other ways.

But out of their 1,900 peacekeepers, based upon the numbers I just recently downloaded from the U.N. Web site, of the 1,900 peacekeepers plus or minus that they have worldwide, 1,450 are dedicated to Africa, and I think that's with good reason. Now, 500 predominantly are in Lebanon, but other than that, they are all over Africa, and I think although they aren't necessarily sending intelligence officers or what have you, they are sending units that are getting the corporate knowledge, if you will, of operating in these backyards.

Specifically, when you start talking about 580 peacekeepers in Liberia, that significant, and they're rotating these battalions through, they're rotating these medical companies through, they're rotating these engineer companies through, which are doing a lot of work, roads, highways, pavings, paving parking lots, building runway aprons, you name it.

So anyway it's pretty interesting what they are doing with that, which is something we don't choose to do. I came back from my peacekeeping mission in the Western Sahara, and no one really asked me for my advice or what happened or if there was anything I could pass on. Okay. Nothing is happening in the Western Sahara. It's the same story with the POLISARIO, but I can guarantee you looking at my compatriots there, or rather my comrades who were serving alongside me, and I was the team site commander, the assistant team site commander deputy was a Chinese officer, who I became very good friends with--oh, by the way, he's serving in Sudan right now on a year-long tour--they were very interested in what we were doing.

They're interested in a little bit of, as one of my State Department friends would say, a kind of clanky, unsubtle approach to diplomacy. Essentially, "Hey, what are you doing over there?" You know, "Tell me the specifications of such and such," but that's just their nature. I think there was just a cultural difference. But in any case, they were very interested in what we were doing and then reporting back. Reporting back what I couldn't tell you.

But when you look at the level of involvement in Sudan, the level of involvement in Liberia, the level of involvement in DROC, and that they're in eight of the nine missions that are currently going on in Africa right now, it's interesting that they've chosen to leverage that, and I think they are, in a certain way. They are definitely, again, gaining the corporate knowledge there.

With 40 seconds left, what I'll do is just kind of wrap up. I think one of the most important things I could talk about is the strategic, operational, and tactical levels of lessons learned, if you will, that they are gaining while overseas. One thing I thought was very interesting in my studies, was noticing also that there are other people watching, and you probably read my

testimony. If you haven't, they are watching what China is doing with great success in Africa, and that's interesting countries or states such as North Korea, Pakistan, Malaysia, India. I think they're collaborating with India in various ways.

So other folks are watching to see, or nation states are watching to see how this engagement is unfolding in Africa. So, not only might we have to deal with increased Chinese influence, but also influence from other parties we didn't necessarily anticipate as well.

Thank you.

[The statement follows:]

**Prepared Statement of Col. Philippe Rogers, USMC
Command Inspector General, Marine Corps Special Operations
Command, Camp Lejeune, North Carolina**

I would like to thank the Commission for inviting me here to participate on this panel. I must begin with the following statement: The comments that I make today reflect my own personal views, and in no way represent the policies, positions or opinions of the Department of Defense, the Department of the Navy or the U.S. Marine Corps.

First a disclaimer; I would like to bring to the Commission's attention that I am not a Sinologist or China expert. That being said, I did spend over a year studying a particular niche of Chinese engagement at the Naval War College in Newport, Rhode Island, last year; specifically China's multifaceted, coordinated diplomatic, economic and military engagement in Africa. This interest stemmed from my participation in a United Nations Peacekeeping mission in the Western Sahara (MINURSO) from 2000-2001 where I served alongside Chinese peacekeepers. This encounter with Chinese officers introduced me to the (surprising) level of Chinese presence in Africa. The results of my year-long dedication to this narrow subject at the War College are captured in two articles that were recently published. If the members of the Commission are interested in these articles for further background reading or for reference purposes, I point you to the summer 2007 issue of the Naval War College Review for my article on *China and U.N. Peacekeeping Operations in Africa*, and to the 2007 Joint Forces Quarterly fall issue for my article on *Countering Chinese Influence in Africa*. I will leave several copies for the Commission that I have brought with me today but they can also be easily found on the web.

In the Commission's written invitation to come speak here today, four questions were listed: *How does China use military cooperation, including arms sales, peacekeeping operations and security relationships to advance its foreign policy goals? To whom is China exporting arms, and what is it selling? Do China's arm sales and foreign military education play a role in expanding China's global influence, and how do these activities correspond to China's foreign policy goals?* And lastly: *What is the status of China's military cooperation with Burma, Sudan, Iran, Venezuela and North Korea and how does this cooperation affect U.S. security interests globally?* The first three I can answer with varying degrees of specificity with respect to Africa. However, I believe the true value I can provide this Commission, in the context of my responses, is by using Africa as a case study to demonstrate how China uses "package dealing" as a "full on supplier" to effect inroads and security cooperation. The fourth question I cannot directly speak to; however, I will show you how other countries, to include some of the ones you have listed, are using China's example to establish similar diplomatic, economic, and military inroads into Africa.

Growing Chinese Influence in Africa, a Case Study:

While the United States has been preoccupied with global challenges to its security since 2001, China has quietly, steadily, and pervasively increased its influence in Africa, altering the strategic context of this important continent.

It has used what it calls an “independent foreign policy” (a term Beijing uses to denote independence from American power) to achieve this, seeking diplomatic, military, and economic influence in African nations in exchange for unconditional foreign aid, regardless of the benefiting country’s human rights record or political practices. Although advantageous to China, this foreign policy arguably undermines U.S. objectives intended to promote good governance, market reform, and regional security and stability while concomitantly diminishing U.S. influence in Africa. China’s relationships with Angola, Sudan, and Zimbabwe, for instance, have enabled these countries to ignore international pressure, and have frustrated efforts to isolate, coerce, or reform them. Left unchecked, China’s growing influence will likely facilitate similar behavior from other African countries, stymieing U.S. efforts in Africa and leading to friction, if not outright conflict, between China and the United States.

Current U.S. power and influence are historically unique in their all-encompassing, dominant nature; only hindsight will tell if current strategic gambles furthered this power and influence or precipitated their decline. In this vein, while American foreign policy remains predominantly focused on the Global War on Terrorism, the United States must anticipate future security challenges from emerging threats or competitors. The fast rising, “candidate superpower” China, no longer able “to hide its ambitions and disguise its claws,” has matched its meteoric growth with an expansive global policy that strongly resembles what John Mearsheimer would call “offensive realism.” As offensive realism suggests, China’s yearning for power is manifest not only by its invigorated external focus and more aggressive international policies, but also by “its opportunistic creation of strategic counterbalances designed to increase its influence and limit that of the United States.” This increasing Chinese influence (influence defined as the ability to control other actors through the use of power) is nowhere more evident than in Africa.

Africa’s emergence as a continent of strategic importance is not surprising considering its vast resources and future potential. China’s national objectives (economic expansion, increased international prestige, a unified China and Taiwan, and domestic stability) directly or indirectly fuel its keen interest in Africa.

China’s explosive economic expansion is fueling its “go global policy.” Its voracious appetite for resources forces it to look externally, driving it to “lock up” future energy sources for its anticipated needs. Currently, 25 percent of China’s oil comes from Africa. China’s economic expansion also requires other valuable natural resources, thereby fueling a continuous search for new markets.

Diplomatically, China seeks international support and prestige by creating close ties with developing nations. Likewise, China uses its position as the sole “developing” United Nations Security Council (UNSC) permanent member to great advantage by championing smaller countries and their causes. China also goes to great lengths to build international diplomatic inertia to counter recognized statehood for Taiwan. With 54 countries, Africa represents a rich source of future international support for Chinese endeavors.

If successfully realized, the above listed objectives support Chinese domestic stability and security (internal unrest historically being its greatest de-stabilizer) by reinforcing the legitimacy of Communist Party control.

China’s growing influence in Africa is surprising in its intensity, pervasiveness, and commitment across the breadth of traditional instruments of power. While the United States is strategically focused elsewhere, China deftly uses a combination of tools, enticements, and devices to achieve this influence. Not tethered by pressing security concerns that threaten its existence and blessed with an explosive economy, China leverages its instruments of power in the pursuit of overseas objectives.

China’s primary instrument in securing these objectives is its “independent foreign policy.” Succinctly, it offers financial aid with no political strings attached. To developing African nations, wary of former colonial masters or superpowers who offer stipulation-based aid, China’s willingness to offer assistance without condition is a welcome respite. Although recipients of Chinese largesse understand this undercuts international attempts to induce reform, the attraction of immediate, lucrative, and always-needed investment is too tempting to ignore. In return, China asks for preferential consideration for economic opportunities.

Equally enticing to African nations is China’s support from an international perspective. China only recently became comfortable in its “liberal internationalist skin,” but it has since learned how to adroitly wield its weight. China leverages close ties cultivated with developing African nations, its UNSC status appealing to less fortunate countries who welcome the apparently equal partnership China offers.

China is also successful as a “full on supplier” of “package deals.” It not only seeks new markets and preferred trade, but offers a full range of aid to include military advisors and sales, infrastructure development, medical

support and programs, debt relief, low or no interest loans, free trade agreements, education and technical assistance, industrial hardware and software, cultural exchanges, and preferred tourism. It offers these through a combination of private and public (state sponsored) ventures, with Chinese state and provincial representatives armed to low bid contracts, even if at a loss.

Diplomatically, China has formal relations with 47 African countries. During the last six years, Chinese President Hintao and other high level emissaries made repeated trips to Africa while over 40 African country delegations traveled to China. China is also heavily engaged in African regional organizations, and its diplomatic delegations often outnumber combined European and American representatives. In 2006, China hosted an economic forum of 48 African ministerial delegations. It has also built and paid for African embassies in Beijing to ensure their countries' representation.

Economically, China has trade relations with 49 African countries and bilateral trade agreements with the majority of them. The Chinese-African Economic Forum, created in 2000, is an economic windfall for China and its partners. Gross Africa-China trade totaled \$10.6 billion in 2000, \$40 billion in 2005, and is forecasted to surpass \$100 billion in 2010. China instituted seven Trade and Investment Promotion Centers throughout Africa to serve as regional economic engagement focal points, and 700 Chinese companies operate in 49 African countries. Besides heavily investing in extractive industries, China is currently building infrastructure capacity throughout Africa to include dams, railways, port improvements, highways, stadiums, and pipelines. It has lucrative oil contracts with Angola, Equatorial Guinea, Gabon, Nigeria, and Sudan, and there are Chinese trading and manufacturing enclaves throughout Africa specializing in textiles, fishing, and other commerce.

Militarily, China made significant arms sales to Burundi, Equatorial Guinea, Eritrea, Ethiopia, Sudan, Tanzania, and Zimbabwe, and developed a burgeoning small arms manufacturing capability in Sudan. China is also a significant contributor to African U.N. peacekeeping missions, and as of January 2008 there were 1,452 Chinese military personnel deployed to eight different peacekeeping operations.

Collectively, these actions of a coherent strategy have brought China significant influence in Africa.

China and Peacekeeping Operations in Africa:

China's unofficial initial foray into UN peacekeeping missions began in 1989, sending non-military experts on an observer basis to the UN Namibia Transitional Period Aid Group to oversee that country's general election. In 1990, China dispatched military observers to the Middle East in support of the UN Truce Supervision Organization, marking the beginning of its official participation in UN peacekeeping operations.

Today, China sends more peacekeepers to more UN missions than any other permanent member of the UNSC. As of January 2008, it had over 1,963 military or police personnel deployed to 13 UN missions. In comparison to China, France has 1,803 personnel in 12 missions, the United Kingdom 366 in 11 missions; the United States 320 in 10 missions; and Russia 291 in 13. Of the 119 nations contributing 90,883 personnel to 18 peacekeeping missions worldwide, China ranks 12th overall (France, 15th; United Kingdom, 40th; United States, 43rd; and Russia, 45th). In fairness to other UNSC permanent members, China's dues represent only three percent of the UN budget (the U.S. share is 22 percent), but its willingness to support UN peacekeeping missions with the low density/high demand commodity of personnel paints China as a "responsible stakeholder" on the international stage. This willingness as a permanent member to contribute a high number of personnel also lends important credibility to the very missions the UNSC approves.

Considering its slow start, China has certainly made up for its initial lack of peacekeeping involvement since 1989. It has contributed not only UN military observers (UNMOs), but engineer battalions, police units, medical teams, and transportation companies. In fact, it has committed itself to permanently providing "one UN standard engineering battalion, one UN standard medical team, and two UN standard transportation companies to ongoing missions" – essentially establishing its own designated expeditionary capability niche. Chinese UNMOs are usually officers selected or volunteered from various specialties and backgrounds. Intelligence, logistics, infantry and personnel officers from various staffs in the Beijing area are often selected to support these roles. Chinese police units, medical teams and transportation companies deploying to UN peacekeeping missions are drawn from various military regions, and these type units have deployed to various missions alone or in some combination. Tours normally last eight months to one year before units or personnel are relieved and replaced.

China has clearly established itself as a credible UN peacekeeping contributor, reversing an earlier trend of non-

participation, but what brought this sea change about?

One of the main reasons for the dramatic upswing in Chinese peacekeeping contributions owes its start to the PLA actions in Tiananmen Square in June 1989. The events of Tiananmen damaged the ties developed between the PLA and the people of China since the revolution in 1949. To reestablish the congenial relationship between the broader society and itself, the PLA determined that it needed to take efforts to restore its military prestige in the eyes of society and the world. These actions included disaster relief, domestic security and other measures, but also, very importantly, participation in UN peacekeeping operations.

China's attitude change with respect to UN peacekeeping missions is captured in its own Defense White Paper, *China's National Defense in 2004*. In a chapter entitled International Security Cooperation, in a section entitled Participation in UN Peacekeeping Operations, it specifically lays out its position on peacekeeping missions:

China has consistently supported and actively participated in the peacekeeping operations that are consistent with the spirit of the UN Charter. It maintains that the UN peacekeeping operations should abide by the purposes and principles of the UN charter and other universally recognized principles governing peacekeeping operations. China will continue to support the reform of the UN peacekeeping missions, hoping to further strengthen the UN capability in preserving peace.

This section is unique when compared to other permanent members' national defense strategies which do not specifically list involvement in UN peacekeeping missions and do not classify them under Theater Security Cooperation, an important distinction.

China is currently involved in eight of the nine UN missions taking place in Africa. These missions are in the Cote d'Ivoire (UNOCI), the DROC (MONUC), Ethiopia and Eritrea (UNMEE), Liberia (UNMIL), Sudan (UNMIS), Darfur (UNAMID), Sierra Leone (UNIOSIL), and the Western Sahara (MINURSO). It is not currently involved in MINURCAT, the mission in Chad and the Central African Republic. The Chinese have also been involved in past missions in Namibia 1989-1990 (UNTAG); Mozambique 1993-1994 (ONUMOZ); Liberia 1993-1997 (UNOMIL); Burundi 2004 (ONUB); and both past Sierra Leone missions, 1998-1999 (UNOMSIL) and 1999-2005 (UNAMSIL).

China's participation in UN peacekeeping missions in Africa (1,452 personnel) outweighs its total contributions elsewhere (511). This reflects its keen interest in peacekeeping efforts in Africa, and it has expressed to the UN that enhancing regional peacekeeping capacity in Africa in order to meet ongoing challenges to security and stability is a priority.

China's Africa Policy, as defined by *China's African Policy: A White Paper*, specifically addresses its desire for "enhancing solidarity and cooperation with African countries" as part of "an important component of China's independent foreign policy of peace," and that it will "continue to appeal to the international community to give more attention to questions concerning peace and development in Africa." *China's African Policy*, specifically mentions UN peacekeeping as one of its security cooperation tools, similar to the *Defense White Paper*. It states that, "it will urge the UN Security Council to pay attention to and help resolve regional conflicts in Africa," and that it will continue its support to and participation in UN peacekeeping operations in Africa" as part of "Enhancing All-round Cooperation Between China and Africa."

The following breakdown of specific Chinese contingents in UN peacekeeping missions in Africa highlights their accomplishments and contributions.

The seven Chinese UNMOs in the UNOCI mission (Cote D'Ivoire) form part of a larger force comprising over 8,990 total uniformed personnel charged with monitoring the cessation of hostilities and movements of armed groups and the disarmament, demobilization, reintegration, repatriation and resettlement of military personnel and militias.

In MONUC (DROC), 234 Chinese troops and UNMOs serve alongside 18,410 total uniformed personnel and are charged with "deploying and maintaining a presence in the key areas of potential volatility in order to promote the re-establishment of confidence; discourage violence, by deterring the use of force to threaten the political process; and allow United Nations personnel to operate freely, particularly in the Eastern part of DROC." The Chinese have sent multiple rotations of troops and UNMOs to this mission to include engineer companies of 175 personnel and medical platoons of 40 personnel serving eight-month tours.

In UNMEE (Eritrea and Ethiopia), seven Chinese UNMOs serve with 2,280 military personnel monitoring the cessation of hostilities and assisting in ensuring the observance of the security commitments agreed between the two countries.

In UNMIL (Liberia), the Chinese contingent is composed of 581 troops serving as part of a 15,200-military personnel mission tasked with observing and monitoring the implementation of a ceasefire agreement and investigating ceasefire violations, and establishing and maintaining continuous liaison with all Liberian military forces. Past deployments of Chinese personnel to Liberia have been very successful and Chinese peacekeepers are on their fourth tour to the country. For instance, the 1st PLA Construction Engineer Company from Shenyang Military Region, a medical team from the Nanjing Military Region, and a transportation team from the General Logistics Department deployed in 2003-2004. The Construction Company was actually a reserve water supply company which underwent a three-month training period before deploying. These units built a 1200-kilometer road, four camps, two parking aprons, 21 bridges, and leveled off over 70,000 square meters of ground. The medical team treated over 2,300 outpatients, hospitalized over 250 people and operated on 50 persons. The transportation team moved over 30,000 tons of logistics and over 70,000 people. China has cumulatively sent over 2,243 peacekeepers to Liberia to date.

In UNMIS (Sudan), 466 Chinese serve as part of a 9,980-military personnel mission to support the implementation of the Comprehensive Peace Agreement signed by all warring parties. Laiyang in Shandong Province sent a 275-man engineer detachment, a 100-person transportation detachment, and 60-man medical detachment in 2005. Their principal mission was to construct roads, bridges, airports; provide water and power supply; and transport personnel and water. There is a large Chinese presence in Sudan and it is not uncommon to see signs in Chinese along with Arabic and English in Sudan.

This is complemented by the Chinese presence in the UNAMID Darfur mission, where 143 serve alongside 9,080 military personnel to contribute to the restoration of necessary security conditions for the safe provision of humanitarian assistance and to facilitate full humanitarian access throughout Darfur.

In UNIOSIL (Sierra Leone), one Chinese UNMO serves as part of a 278-person mission mandated to assist the Government of Sierra Leone in consolidating peace, strengthening democracy, and sustaining development.

And, lastly, MINURSO (the mission I served in) counts 13 Chinese UNMOs serving alongside a force of 300 military and police personnel with a mandate to one day allow the people of the Western Sahara to determine their future (independence as a country or to be subsumed by Morocco) through a referendum.

So, the question: Chinese peacekeeping in Africa, why does it matter?

What are the Chinese gaining from this experience at different levels?

The strategic value China gains by peacekeeping in Africa

China's recent UN peacekeeping track record reinforces its role as a responsible stake holder in the international community, giving it more global influence. This influence is parlayed into prestige and clout, both of which are attractive lures to African countries, especially those inclined to search for alternative partnerships than those traditionally offered by Western nations.

Couple this with China's overarching strategic approach to Africa which features "an independent foreign policy," over \$2 billion in African aid to date with no apparent strings attached, and diplomatic, economic and military ties with 90 percent of Africa (unmarred by any colonial history in Africa), and it is clear that it is quietly but steadily building a significant presence on the continent.

The resultant influence China gains from African nation support in international fora is important to its "One China" policy; its energy future, commerce, and military-industrial complex; and for the advancement of its international agenda.

This mutually beneficial relationship is reinforced by China's participation in UN peacekeeping missions, a form of security cooperation to China as mentioned. The more China advocates and participates in UN peacekeeping missions, the more influence it creates with the regional organizations (e.g. the African Union) formulating Africa's future.

China has or is developing strong ties with the African nations in which it currently has UN peacekeepers deployed. This may be coincidental, but Beijing's disproportionately large contribution to African missions over others hints otherwise. As demonstrated, China has a vested interest in the strategic security and stability of the African

continent, and its involvement in peacekeeping missions should be expected to continue.

The operational value China gains by peacekeeping in Africa

With little power projection capability and a policy not focused on overseas deployments at the present time, UN peacekeeping operations represent one of the most important ways China can gain valuable overseas operational experience. With these deployments, the Chinese gain exposure to the operational practices and methods of foreign military forces as well. The knowledge gained also has several benefits in the form of operational logistics, multinational operations, combat and civil engineering, and a working knowledge of the operational environment to which they are deployed.

Moving a battalion or large echelon of personnel overseas with all of the pre-deployment training, support requirements, and logistics required is not a simple feat. Operating in a hostile or austere environment is also challenging, and the preventive medicine and security measures necessary to safeguard the force are not intuitive. The value gained by being on the ground of a foreign territory for an extended period cannot be easily duplicated, and experiences such as this are more valuable and practical than any other foreign area training imaginable. Unit cohesion is also an immediate benefit of any unit that deploys together overseas. The fact that Chinese units are redeploying multiple times to Africa means they are building a ready force of African operational experts – *something the United States does not have.*

This last point is very important. PRC troop deployments in support of UN missions such as those in DROC, Liberia, Sierra Leone and the Sudan are giving Beijing an advantage in operationally deploying to these vastly different and challenging countries. This includes invaluable knowledge gained about logistics, ports of debarkation, lines of communication, lines of operations, operational intelligence, local atmospherics and modus operandi, and on how to sustain forces in Africa over prolonged periods.

Chinese UNMOs who command at any level of UN peacekeeping operations in Africa are privy to a unique operational opportunity few non-African officers in the world can duplicate. This alone is an invaluable operational commodity derived from UN peacekeeping missions in Africa.

The tactical value China gains by peacekeeping in Africa

Chinese peacekeepers who serve in Africa on UN missions also enjoy a unique opportunity as well: nothing can replace boots on the ground knowledge gained from such missions. Any UNMO who has GPS-navigated across thousands of kilometers of desert, talked to local Bedouin, and survived the harsh weather extremes and challenging austerity of the Sahara, will have a decided advantageous knowledge of that operational environment. Besides the local Africa lessons learned, the knowledge gained from these missions might well have applications elsewhere in other overseas deployments, whether UN-related or not.

Repeated deployments to UN missions in Africa by China will enable the PLA to build an extensive knowledge base. A Chinese major who served with me in the MINURSO mission in the Western Sahara returned to Africa in 2007 for another one-year deployment, this time as a colonel serving in Sudan. He has likely already exponentially increased his knowledge base over me on all things pertaining to African operational missions.

Now imagine the thousand personnel China is rotating through missions every year in support of UN peacekeeping in Africa; this effort is outpacing Washington's efforts dedicated to operations in Africa. Conceivably, the United States will one day turn to the Chinese military to ask them for help and expertise for missions in Africa.

The Ramifications of Chinese Influence in Africa

Chinese and American influence in Africa is not a zero-sum game in the near term; however, the long term stakes are high with respect to strategic objectives. U.S. strategic objectives in Africa are intended to promote good governance, market reform, and stability and security, which in turn helps limit the spread of the GWOT and maintain U.S. access to the continent. China's influence, gained through its independent foreign policy, ostensibly undermines U.S. attempts to effect positive change in Africa and achieve its strategic objectives. If China's influence in Africa grows without a concomitant counterbalancing increase in U.S. influence, the United States risks losing strategic flexibility and freedom of action on the continent.

The conflicts in Sudan and Zimbabwe demonstrate China's willingness to circumvent, if not completely ignore, international pressure and underscore the potential injuriousness of its actions and the ramifications to U.S. policy in Africa.

As you know, Sudan's internal conflict has been roiling for decades. This seemingly intractable domestic conflict

with age-old roots has become genocidal in nature and the international community, collectively sworn not to allow another Rwanda-type massacre, is finding solutions to be elusive. Worsening the situation is China's refusal to yield to international pressure and condemn Sudanese actions, citing Sudan's right to govern its own internal affairs irrespective of the ongoing genocide (falling back on its "independent foreign policy" disclamation). The disturbing reality is that China is heavily invested in Sudan whence 20 percent of its African oil comes, and Chinese oil firms are deeply entrenched. Over 10,000 Chinese workers and 4,000 Chinese para-military live and work in the Sudan. Instead of using its considerable influence in Sudan to call for a solution, China has, until very recently, cast a blind eye on Sudanese inaction and complicity - all but endorsing its actions. Chinese refusal to more directly address the situation in Sudan is a contributing reason for ineffective U.N. resolutions and the failure of international pressure to work.

The injurious effects of China's implicit support to Sudan are many, manifest not only in Sudan's ability to ignore international outcry or its perceived imperviousness to sanction, but in the resultant destabilizing effects the genocide is having on neighboring states. Both Chad and the Central African Republic, two fragile countries that can ill-afford destructive influences, are being affected by Sudan's internal unrest.

In the case of Zimbabwe, currently subject to U.S. and European Union sanctions, China openly backs President Mugabe despite his human rights record, corrupt regime, and internal unrest that are affecting regional stability. China sold Zimbabwe over \$200 million in military arms, signed lucrative contracts for resources, and provided it with much-needed financial and international support. As Mugabe exclaimed, "As long as China walks with Zimbabwe, it will never walk alone."

China's questionable relationship with Zimbabwe challenges U.S. and international attempts to isolate such regimes and weakens the impact of policies geared to encourage the better future for African countries envisioned in our National Security Strategy.

There are many other examples of Chinese actions enabling African nations to flout international pressure, to include countries in which the United States has considerable interest, such as Angola and Kenya. These are not isolated instances for China, but instead demonstrate a determined pattern of enabling behavior brought about by its foreign policy. As China continues to expand operations in Africa, the likelihood of Chinese and American policies clashing in the future will increase, possibly forcing underlying tensions into open conflict.

China's inroads into Africa: A model of success for other nations?

Right or wrong, Africa has historically been viewed as Europe's back yard, its contemporary landscape having been shaped by aggressive colonialism by the latter. The vestiges of this colonial history remain, with varying degrees, and still largely shape the prism through which we look at security cooperation with African nations today. The United States' cyclical interest in Africa has risen and fallen since World War II based upon Africa's strategic relevance and within the context of international shifting balances of power. China actually has a long trading relationship with African nations, dating back to the Middle Ages. More recently, Maoist-driven revolutionary movements in the 50s and 60s elicited Chinese backing and supplying of arms which proved largely ineffectual (the exception being China's early backing of Zimbabwe's winning side). However, what China is doing today is fresh and bold, representing a type of engagement that is enticing to African nations weary and wary of their older ties. China has experienced local backlashes to some of its methods in Africa, but for the moment it has gained significant momentum and seized the strategic initiative. Anthony Lake, in the Council for Foreign Relations study entitled, *More than Humanitarianism*, captures this sentiment with the following words:

China comes to Africa in the 21st century with not only a need for natural resources but also with the financial resources and political influence to pursue its objectives vigorously. China has altered the strategic context in Africa.

Other nations are watching China's methods and the successes it has registered. In the same report I cited above, and in other sources, there is strong evidence of countries that are adopting the same tactics with their own successes in a new "scramble for Africa." These countries include India, Malaysia, Pakistan, Indonesia, and North Korea. Although Africa as a continent is immense, we will find ourselves in the future bumping into this same shortlist of actors in the same countries due to similar, competing interests.

We're going to wake up one day wondering how these nations managed to gain so much influence in

Africa, seemingly overnight. We need only look at China's example in Africa to understand how this influence is being manifested.

This is happening under our watch, Gentlemen.

With that, I complete my prepared remarks, and look forward to answering any questions that the Commission may have for me.

Thank you.

Panel IV: Discussion, Questions and Answers

VICE CHAIRMAN BARTHOLOMEW: Thank you. I'm going to take the prerogative of the chair and ask the first question, and Colonel Rogers, that's actually to ask you to elaborate on what is it that the Chinese are learning from their peacekeeping participation?

COLONEL ROGERS: Absolutely. Now, this is not related to me by any Chinese cohorts. As a matter of fact, when I tried to contact my Chinese peacekeeper friend to ask him, "Hey, I'm writing a paper on this subject," the e-mails kind of dried up. I assumed that he went to Sudan, he was always very cordial and friendly up to that point, but I'm sure he had some limitations on what he could pass on to me.

That's okay. It's interesting because you won't find much direct information, at least the things that I looked at, unclassified, as to who's selling what. What arms are China selling to Africa, but essentially what are they gaining out of this? A little bit about their peacekeeping academy that they have in Beijing, outside of Beijing, which is very large, 20,000 square feet, and they're inviting--rather they put all their people through the paces there before they deploy, something which we do not do.

But the strategic value gained obviously as a responsible international responsible stakeholder, which I believe they want to be, they're translating that obviously into prestige and clout that they can use. That's something, if they are one of the five major panel members of the UNSC and they are the lead contributor--I think they're 12th overall as far as contributors to peacekeeping. Now we contribute other ways, but when you look at--I think we're a distant 43rd; Russia is 44th; England is 45th--not necessarily in that order--and I think France is 13th or 14th, to each his own, but there's definitely something they use as far as strategically with African states, as far as we're equal to you, we're coming to you as a developing nation, as they like to call themselves, we're using these peacekeepers in the best way we feel. to prove that they're good international stakeholders.

This ties in with the other things that they've done as far the soft loans, the other engagement they have. They continue, of course, to develop from a strategic level their tight relationships with the African Union and the regional cooperative organizations, IGAD, and ECOWAS, and I think by

being up-front and actually deploying people to these areas, it's kind of putting your money where your mouth is.

You can give them billions of dollars of loans and aid and promise them, "Hey, you'll be part of the Millennium Challenge Account." I don't want traipse there because that's not my familiar zone, but when you see peacekeepers there on the ground actually participating, and in some cases getting wounded, that says something to the African who's looking across and seeing a compatriot, a colonel that he's working with, a major that he's working with, another troop member that he's working with, that he's dealing with on a regular basis.

As far as operationally, the Chinese do not deploy worldwide anywhere, as far as I know, in great numbers. Obviously, they have their navy that they're building up, but beyond that, they don't have a power projection capability, and I believe this is something that they're very much learning because all nations do.

They're deploying battalions at a time, medical companies at a time, transport battalions overseas, and you gain a knowledge, even if it's U.N. financed or not, how, deploying those vehicles, getting your troops over there, eight month deployments, eighth month after eighth month after eight-month deployments, when you start looking at the thousand that they're sending a year, and let's say they're sending another thousand every year, they're developing an operational capability that frankly we don't have.

Yes, we have folks that are in the Horn of Africa, but these are Chinese troops that are ready to go, deploy back, and become operationally engaged. And, obviously, nothing replaces boots on the ground knowledge as far as tactics goes. If you've been through the Western Sahara and GPS-navigated, and talked to the Bedouin, you get an irreplaceable feel for the outback.

I can tell you that if they're deploying to Sudan and DROC and all those other places with significant numbers, they are getting to know the people, the infrastructure, the atmospheric, and again I say in my paper, one day we may turn to them for the knowledge of, "Hey, how do we operate in this backyard" wherever that may be and deploying for whatever crisis.

Thank you.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Chairman Wortzel.

CHAIRMAN WORTZEL: I want to thank you both for being here and for your time and testimony. Dr. Watson, what do you think is going on, particularly in the area of space, which is kind of dual use--it can be civil military use--with China, Brazil and Argentina?

And I know the Second Artillery Commander made some trips, but there really is an older, going back to the late 1970s, space and missile relationship between China, Brazil and Argentina. Have you any idea what's developing there?

DR. WATSON: I think there's a couple of things going on. Thank you for the question. Let me just, for a second, because this is not a commission on Latin America, let me talk a little bit on what Latin America has been through in these areas.

Both Argentina and Brazil initiated nuclear programs in the 1950s. The Argentine program was somewhat more overt. They were both under navy control, and as it turned out, and we found out in the early '90s, the Brazilian program had continued a lot longer than most people realize.

As a matter of public policy decision-making, both Argentina and Brazil had to halt their programs because they ran out of money at least as much as because they suddenly decided they liked each other in the late 1980s. The 1980s was a devastating decade for Latin America in terms of the debt crisis.

At the same time, Brazil made a conscious decision to take the advantages it had geographically, being an equatorial state, in developing a space program. Both the space and nuclear programs were important in these two states because they allowed Latin America, not unlike China, to take a position to say that they were not part of the East or the West, but they were very much non-aligned states.

That I think has been lost in the last almost 50 years now as people have assumed that the Brazilian and by extension Argentine militaries were pro-U.S. because they were virulently anti-Communist. They remained anti-Communist, but both of these states have a long history of seeking to maintain their autonomy and to not be dragged into the U.S. sphere of orbit, but nor did they want to be in the Soviet sphere of orbit.

The Brazilians, in particular, had a lot more resources that they were willing to put against their space program, and much of the money that went against the nuclear program migrated to the space program in the 1990s.

I think the ties that are there are for a couple of reasons on Beijing's part. One is it is a developed space program. It is an equatorial site. No matter what else China has in our natural life times or in our post-natural life times, there's never going to be an equatorial site available to China in China. That's not going to change. And Brazil has that naturally and that's something that I think Beijing is acutely aware of.

I think, secondly, if you think about--

CHAIRMAN WORTZEL: Although the Spratlies get right close.

DR. WATSON: The Spratlies get close, but the Spratlies are going to be a whole lot harder to defend than having a relationship with Brazil would because the Brazilian facility is in Lindobit [ph].

But I think, secondly, the other part of this is the Brazilians again very consciously have sought in the last 15 years to say that they were going to take the resources that they had within the Brazilian system, state and non-state, to invest in R&D for space and to invest in R&D for energy, alternate

energy. Today, by far, the biggest source of energy within Brazil is ethanol.

There's a reason for that. They also happen to produce a lot of sugar, but by extension, I think that the Chinese have decided that this is a society that's willing to go out and is willing to engage in some real independent first-class research. No, it's not the United States, but by non-U.S. standards, the Brazilians have a fairly robust program, and I think the Chinese have decided that they want to maintain those ties and deepen them.

An extension of that that I think is important and isn't under your purview in today's hearing, but I'm certain is something that you look at long term, the deep-sea investigations, the explorations that the Brazilians are doing off the southeast coast of Brazil. The Chinese have also been very interested in that for alternate energy source.

I think these are all tied together as part of a way that China can enhance its relationship in the region, but more specifically to address its emerging needs in energy. By extension, I think they also simply want to have an alternative, a state that's involved in space exploration that is not U.S., that has no interest nor any proclivity to come under U.S. control so I think that that's what's going on. It's a very long answer, but I think it's all tied together.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Fiedler.

COMMISSIONER FIEDLER: Now that you've caught your breath, Dr. Watson, can you give us a summary and bring us up to date on the Venezuelan-Chinese relationship, both its evolution and its current state?

DR. WATSON: Certainly. Let me say up front that it's very important, and I think not getting nearly enough attention within the last three weeks because of events that have captured international press headlines, but since Chavez Frias lost the referendum last fall, his domestic support has fallen precipitously.

It's important to remember that this is a man who is trying to find a way to convey to his population that he's doing something for them when they can see that the evidence is he's done nothing in nine years now for the development of Venezuela.

You can only feed your people and you can only keep roads from sinking into the ground for so long when you're not doing anything for your own population. That's a crucial ingredient in discussing him because I think it's what motivates him. He's always trying to divert attention off to these other great world-class ideas that he has that have no relevance for the population of Venezuela.

But I think that you're very much seeing that it's a relationship, a bilateral relationship, driven by the Venezuelan side, not driven by the Chinese side. I think the Chinese have seen this as the quintessential way to tag on to something that somebody else wants to do for them, but they're not going to pursue this long term for a couple of reasons, I think.

Number one, he is an extremely unstable leader. He is driven by a desire for attention as I alluded to earlier. It's the kind of relationship that I think Beijing is reluctant to latch on to long term because I don't think they can predict how long he'll be there, and that doesn't do them any good if they feel that there's either--and there's two possibilities in a post-Chavez Frias period.

One is that you replace him by a democratically-elected government, which again might not be something that Beijing would see as in their interests.

Secondly, even worse from Beijing's perspective, is if you had a highly unstable Venezuelan site, Venezuelan polity, which is one thing that's not getting any attention in this country.

If he goes away, in light of how badly democracy has been failing in Venezuela for the last 20 years, we all need to recognize that getting him out of there does not guarantee a democratic state comes behind him. If anything, we may have a highly unstable situation in Venezuela which is not necessarily to anyone's interest in the northern tier of Latin America. But I think Beijing is going to be reluctant to stick with him long term.

Having said that, he is willing to basically throw the resources of the Venezuelan state in Beijing's way to their needs. He is willing to take as many opportunities as possible to come forward and say that he will sell oil to China; he will not sell oil to the United States if at all possible. And he's going to continue down that line.

That does not in and of itself, however, make for a strong relationship. That is, in my mind, an extremely tenuous relationship and one that is dependent on somebody who is highly volatile at best.

COMMISSIONER FIEDLER: Thank you.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Mulloy.

COMMISSIONER MULLOY: Thank you, both, for being here, Dr. Watson and Colonel Rogers, and Colonel, thank you for your service to our country over many years in your military career.

COLONEL ROGERS: Thank you, sir.

COMMISSIONER MULLOY: Dr. Watson, you say something that caused me--I'm not a China scholar, and as I think you said, Colonel, you're not either. But my understanding was China was a great strong civilization and then had a bad couple hundred years, and then Mao came in and he said China stood up, and they tried to build a collectivist economy. That didn't work too well.

DR. WATSON: Arguably they went to an even worse few years, yes.

COMMISSIONER MULLOY: And then Deng Xiaoping came in with a different idea on how to build the economy, and part of it was engaging the West and getting markets and getting technology and getting investment. And that's been, it looks to me, like has been pretty successful.

Now you say on page one of your testimony that "Beijing's mission of reclaiming a great power status in the international community with the strategic vision that great powers have roles in all parts of the world." So kind of you're saying they do imagine themselves as being kind of the top dog.

DR. WATSON: What I mean by that is they view great powers as having certain roles, rights, and a certain respect in the international community, and I believe that it is a widely held view in China that China has not been, as they view it, respected enough in the international community, and they seek to return to that vision.

COMMISSIONER MULLOY: To return to something they had 200 years ago or so. Now, Colonel, you say on page one of your testimony, "the fast rising, candidate superpower China is no longer able to hide its ambitions and disguise its claws, has matched its meteoric growth with an expansive global policy."

Okay. And then you further say, "China's explosive economic expansion is fueling its go global policy."

So what I'm trying to understand is you're both saying China is expanding rapidly in Latin America; China's influence is expanding rapidly in Africa. But what I always come back to, we're helping them do this--now whether we like it or not. But are we now helping China do this by the tremendous transfer in wealth and technology that's going on from the United States across the Pacific Ocean to China year after year in terms of this massive trade deficit, and I just wanted to get your--you guys aren't economists.

I'm not an economist either, but I look at this and I read what Warren Buffett says, and I say, gee, there's something to what he's saying, and I just wanted to get your views on that. Are the two connected in your view?

COLONEL ROGERS: Go ahead. I'll follow.

DR. WATSON: I think that you rightly point out that there has been a massive transfer of wealth. There continues to be massive transfer of wealth. There's also, as you say, a transfer of technology. I don't find that to be all that surprising.

My understanding of basic economics is that in a free trade regime around the world, you want to see free trade enhanced. By enhancing free trade, you want to see all boats rise, to take an analogy.

The question that you're getting at indirectly is are we better off if China goes down that road? Clearly most U.S. politicians on both sides of the aisle would argue over the last 25 years, and frankly, politicians in China would argue over the last 25 years, that they are better off as a result of this policy.

As you all know up here better than me, there are certainly people within the United States and within the U.S. Congress that don't subscribe to

that view, but one of the things that we have, I think, pursued across the partisan lines of the United States, back to the Nixon administration, is trying to get China more integrated in the international community through a variety of mechanisms, whether it's through peacekeeping, whether it's through economics or through anything else. But I think that you definitely see that China has changed its position as a result.

COLONEL ROGERS: Can I just add to that very quickly? It's interesting that you brought up that particular part of the lead-in to the paper because there's a lot of footnotes that go into that, but "candidate superpower" is something Jonathan Pollack calls it, but the "disguises claws and hide its ambition" comes from Deng Xiaoping, who said that's what we need to do.

Now, recently--

COMMISSIONER MULLOY: Who said that? Deng Xiaoping?

COLONEL ROGERS: He said that, yes. Now recently that has been changed, and Paul Kennedy wrote "The Rise and Fall of the Great Powers," and it was a New York Times article that I saw that said the Chinese did a 12-part series on China television about--and it was very interesting to the Chinese people--about the rise and fall of the great powers.

What made them great? Is the timing coincidental? It's something that I think they're very much looking at, and surveys say 85 percent, or whatever the numbers are, in China now, that folks think that it's time for them to have as much influence as America, and in the next ten years, to be a world leader.

So I think you'll find that undercurrent. The "World is Flat" and books like that will talk about how we're integrally linked obviously with China. That's not my lane, but I can tell you that I think the undercurrent is, or not necessarily hidden anymore is they are looking to increase influence.

COMMISSIONER MULLOY: Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you. Commissioner Brookes.

COMMISSIONER BROOKES: Thank you. Thank you both for your testimony. I have questions for both Colonel Rogers and Dr. Watson. Colonel Rogers, I was looking at your articles here, and I don't know whether to be flattered or frightened that you've cited me a number of times in your article on Africa in JFQ,.

I want to turn to Zimbabwe for a moment. I've always been kind of perplexed with China's interest in Zimbabwe. Can you give us your impressions?

COLONEL ROGERS: I will and maybe Dr. Watson will know more than I do about this. I think there's a long link that goes back to the '50s and '60s, whenever Zimbabweans were fighting amongst itself for who was going to take over after independence, what have you. I don't recall, but I think

the ties started then.

I can't explain it either because it's not necessarily something that do to get something like oil in return. But Mugabe has said on numerous occasions, "As long as I walk with China, I don't walk alone," and I think you know the numbers as well as I do. The \$240 million military sales that China's done, fighter jets, and 100 military vehicles--I'm not sure what type--but they're also invested with telecom and other things like that.

I can't explain exactly, except I know there are some historic ties there, why they were originally interested and implicated in the region.

COMMISSIONER BROOKES: Okay. Because the economy obviously in Zimbabwe is a terrible mess.

COLONEL ROGERS: Absolutely.

COMMISSIONER BROOKES: I'm always kind of curious. I'm just getting people's takes on that. Dr. Watson, you talked about Venezuela, which is obviously a hot topic here in Washington. What about Cuba? Can you say a few words about Chinese ties to Cuba today, and will that change under Raul Castro?

DR. WATSON: It's unlikely that it will change under Raul because I don't think we're going to see very much change under Raul. I think that my analysis says that what we see in Cuba for the next period of time--Raul is in his mid-70s, Raul could--well, frankly, Fidel could live for another 15 years, and Raul could live for another 20 years or they could either one kick off today. But I think that the harder question that is the one that we don't focus on is what sort of competition do the two states have?

There are certainly ties, but they're not nearly as deep a ties as you see between China and some of the states in Southeast Asia that Dr. Grinter was talking about or the states, potentially even states of Central Asia where China would like to have better ties in order to gain control of energy, and then the ties with Africa.

There's a natural competition between China and Cuba that's an important one. It's ironic because, as I noted at the beginning, the place where China did have recognition from 1960 until 1970, coming out of Latin America, the one place that recognized Beijing was Castro's Cuba and that was because that was something to annoy us. It was something that stood for the great values of communism, et cetera.

After the Chinese make the decision in the early 1980s to open the economy, however, then that reason goes away for strong ties between the two states because the one thing we know that has characterized the Castro regime no matter whether it's Fidel or Raul is a lack of interest in any sort of economic reform.

In many ways, the state that's closest to Cuba ideologically today is more North Korea by far, and in many ways you have Castro's Cuba standing as the last bastion of communism, arguing that it alone has maintained the

communist ideals, and then you have China seeking to advocate that it's administering communism with Chinese characteristics and being a different luminary in the Chinese world, that the logical ties between the two states are not that useful.

A third point I'd make is just that there is again an apprehension about getting too close to Cuba because the Chinese can read a map as well as anyone else, and I fundamentally believe that Beijing is apprehensive about doing anything that upsets Washington in terms of fears of military intervention or simply massive Chinese involvement because of the geographic proximity.

So I think that there are ties there, but I think they're relatively limited compared to what one might anticipate.

COMMISSIONER BROOKES: Can I get one quick one in? Colonel Rogers, what do you sense to be Chinese arms sales trends in Africa in the coming years?

COLONEL ROGERS: I really think that the majority of it, from what I gather, is small arms. The three small arms factories that they built outside of Khartoum, I couldn't tell you what they really are producing, but obviously they're trafficking in small arms, and where these weapons go, whose hands they fall into, certainly concern us.

When I was involved at European Command with the Africa Clearinghouse, that was something we were always trying to work with the British and other countries, was, "Where are these small arms going?" Other reports of Chinese small arms, RPGs, machine guns, you name it, going to Tanzania, to Sierra Leone, to other, Liberia, places that, some of it's covert and being discovered. These are places we don't want these arms going just unfiltered without knowing whose arms do they end up in?

Recently, though, reviewing some of the studies that I had done, I saw someplace where in Sudan, they're using places like Sudan, some would suggest, as a testing ground for some of their equipment. They're selling them tanks, they're selling military vehicles, but attack helicopters and other--and jets, of course. What's really going on with these things?

I don't look at that as something that really foreign countries clamor for as far as their (Chinese) FC-s1, their Fong Yang aircraft, whatever kind of aircraft and old type model MiGs that they have. I think that they would rather do IMET and they would rather buy the big arms from us. But I think they know that we're not going to give them that open pass on smaller weapons.

So I really continue to see it being training, small weapons, to the caliber of RPGs and what have you, and Kalashnikovs.

COMMISSIONER BROOKES: Thank you.

HEARING COCHAIR BLUMENTHAL: Commissioner Reinsch.

COMMISSIONER REINSCH: I just want to ask Dr. Watson the same

question I asked Mr. De Lorenzo in the last panel. With respect to Chinese ties with various Latin American countries, there's also been reports of some grumbling in Latin America, that the relationship is one-sided, that the Chinese are getting more than the Latin Americans are getting out of the relationship.

Is that your impression as well? Number one, do you think that's accurate? And number two, is there any sign that the Chinese are adjusting or changing their approach to the region based on that kind of publicity?

DR. WATSON: I don't think it's accurate to say it's one-sided with Latin America. I think it's a quite different relationship. Latin America is going through a period of fairly strong success right now in exporting raw materials and foodstuffs, and for Latin America, one of the major markets that is important and growing is China.

I think that Latin America does not see that--whether they should or not is a totally different question--but Latin America does not see that on balance as a negative.

Again, I cannot stress how hard the last 25 to 30 years have been for Latin America. Whether it was the debt crisis of the 1980s and then the disappointments as a result of malfeasance and corruption that resulted in the post-1989 move towards free market economies, for Latin America the last 30 years have been very hard.

The idea that they have a major market and a growing market to which they can export is to them on balance a real positive. And that continues to grow. We're talking in that case about trade. We're not so much talking about investment. The investment patterns that many people anticipated after Hu Jintao's November 2004 visit to the region have not materialized.

I was at a meeting week before last where a number of Latin American diplomatic corps were bemoaning the fact that the investment patterns have not been as significant as anticipated because for the Latin American view, here we go again, someone has promised us something, and they're not coming through.

But I don't think on balance that it's nearly as out of kilter as it might be with some other regions. I think that China is, again, moving in a measured way into the hemisphere, and I don't see that that's going to change in the foreseeable future.

COMMISSIONER REINSCH: Thank you.

HEARING COCHAIR BLUMENTHAL: I have the next question. I'd like to come back to a more general question about a Chinese arms sales policy or sale of defense equipment, defense technologies, around the world, whether it's Latin America or Africa.

We've had some talk earlier today about the numbers and the sales of conventional arms. Do you see a policy, an actual deliberate policy such as we have in terms of to whom they're providing arms, what kind of arms, what

types of policy outcomes they're trying to effect through the sale of arms or defense equipment in either of the regions you cover?

DR. WATSON: Again, I think that it's with a great deal of trepidation that the PLA offers--there have been arms sales to the region, primarily to Venezuela, and there have been a couple of small, again, small arms, as Colonel Rogers said, in Africa. A couple of small arm sales I believe to Bolivia and Ecuador which would not be surprising in light of the current regimes in those states.

But the Chinese move with trepidation, understanding that Latin American militaries have traditionally been interested in access to U.S. arms. However, it's important to say that Latin American militaries on the other side react with a great deal of concern that they will be cut off from the United States and therefore they may be somewhat more willing long term to think about Chinese arms, but I don't detect that Beijing is trying to sell massive amounts of arms to the region at this point. Venezuela being somewhat of an exception, but even that's not as extreme as one might expect.

COLONEL ROGERS: I'm not aware of any policies. That hasn't come across any of my studies. But I would just say a pattern which once again falls into the pattern of being a full-on supplier, essentially throwing everything at the problem that is allowed to be thrown at it as far as getting some kind of foothold or, not necessarily in a bad way, but just getting themselves inside an area, investing themselves inside of a region.

I think when you look across the board, certainly in Africa, and when we talk about Africa, of course, it's an immense place. 54 countries, depending on how you count, but our IMET and our security cooperation, things like the Trans-Sahara Counterterrorism Initiative, things like that, I think the Chinese know that they can't match that, that they can't match having served alongside with a lot of foreign students that come to the war colleges here. They certainly love, enjoy the experience. They'd rather go to Washington, D.C. than Beijing. I can't speak for all of them.

But I think where they can make a difference is if, for whatever reason, there is an embargo or there's no good reason to sell small arms to somebody, they will. Again, it's part of, "Hey, as long as we're coming here, would you also like some arms?" Again, I can't say that this is the pattern necessarily for every country, but that is certainly the pattern I observe because along with that, anytime you make a sale, of course, usually what happens after that is you get a technical expert that is hired on or is offered to come along with it, and then now you've got that training that's going on bilaterally with the country.

HEARING COCHAIR BLUMENTHAL: You two might not be the right people to answer this question, and maybe we should take it up as a matter of research, but I'm wondering if any of the now co-produced or licensed-

produced platforms that the Chinese are making, they're thinking about making them for export, and I know that there's been a larger arms package to the Philippines, for example, so anyway that's just something for us to consider ourselves.

I think we had Commissioner Slane in front of Commissioner Videnieks. But the two of you--

COMMISSIONER SLANE: Peter stole my question. Thank you.

HEARING COCHAIR BLUMENTHAL: Okay. Commissioner Videnieks.

COMMISSIONER VIDENIEKS: Dr. Watson, I think I heard you say that on the whole, the trade situation is looked upon favorably by Latin America.

DR. WATSON: Yes.

COMMISSIONER VIDENIEKS: It's my understanding, and this may be true in Africa as well as Latin America, that they are exporting raw materials in general.

DR. WATSON: Right.

COMMISSIONER VIDENIEKS: And importing manufactured goods. And as a result, the manufacturing labor, the opportunity to grow in that area, is being looked upon negatively by labor organizations and labor in general in both--

DR. WATSON: It depends what part of the region you're talking about. If you're talking about Mexico and Central America, in particular--

COMMISSIONER VIDENIEKS: I'm focusing basically on Brazil.

DR. WATSON: I think the Brazilians have a more mixed view than that based on conversations I've had, but I suppose it depends who you're talking to in terms of in what sector. Again, I was at a meeting week before last with a number of Brazilian diplomats, and their view was that on balance, certainly citing the things that you're mentioning, but on balance that Brazil was certainly doing better right now with the desire that China has to buy raw materials than they have been in the past.

COMMISSIONER VIDENIEKS: But yet their manufacturing people, the labor unions, are in disagreement with that type of thinking is what I've read.

DR. WATSON: I'm not aware of any labor unions that approve of anybody dealing with China because of the wages; right.

COMMISSIONER VIDENIEKS: How about Africa?

COLONEL ROGERS: Same thing. I think you see, and it was touched upon before in various ways, is that initially it sounds great, the export-import, but when they bring their own Chinese laborers, when they undersell--various times in my discussions with Lyle Goldstein, we brought up the example of the ethnic grocer in the ethnic neighborhood who is just underselling all, you can't compete, and it just gets very frustrating. There

has been some backlash with textiles in South Africa, I believe in Nigeria as well, and other places that have erupted.

Just my brief studies, Dr. Watson can speak better than I can, certainly in Latin America I think there has been more backlashes than there has been in Africa. But in some places you will find that it's coming to a head, I would say. What happens exactly I don't know, but in some places it does not benefit the local society.

COMMISSIONER VIDENIEKS: Thank you.

HEARING COCHAIR BLUMENTHAL: Commissioner Esper.

COMMISSIONER ESPER: Thank you and thank you both for your testimonies. A responsibility of this Commission is to make recommendations to the Congress with regard to the mandate of the Commission vis-à-vis China. So what I'd ask of you two is, based on your study of your respective regions, what recommendations would you make to the administration or to the Congress with regard to changes in policy to protect or advance U.S. interests in these regions?

DR. WATSON: In the Latin American case, I would simply ask that anyone in a decision-making decision, be it in the legislature or in the executive branch, understand that there are unintended consequences that result from some of our policies in Latin America and that China may be the beneficiary of some of those unintended consequences.

The example I would give is when you cut off IMET and you cut off mil-to-mil ties, which may be for perfectly good reasons, you understand that there will still be consequences as a result of that, and it may mean that officers who might have gained knowledge of military education or training on a specific area may go to Beijing for that.

That does not mean you don't institute those policies because the United States operates to protect its national interests. But I think sometimes we're always--I think the prior panel talked about this--we're surprised by some of the unintended consequences and I'm not certain that we always think those through.

COMMISSIONER ESPER: Thank you. Colonel Rogers?

COLONEL ROGERS: I'd have to certainly agree with the Article 98 suspensions. Whenever there's some cases of that, I mean essentially if we suspend IMET, the Chinese look at that as a vacuum, and not a zero sum game, but there is an opportunity, they sweep in, and exactly like Dr. Watson said, they take advantage of that, invite folks back to training, and it is certainly very inviting. Any kind of IMET I would have to say is.

I think what we're doing now, we need to continue doing--although I'll talk about coherent strategy in a second here, although that might be a bridge too far right now--but the things that we're doing, IMET and security cooperation-wise, the ACOTA that we're working with RECAMP, those huge initiatives that need to continue as far as working with developing

peacekeeping capacities and African military capacities throughout Africa.

But the Chinese are definitely beating us to the punch, and again I have to scale it. They're a distant third in investment behind us, I'd say right now, but they're beating us to the punch when it comes to this full-on supplier type of approach.

When we don't have a coherent strategy for Africa, meaning the interagency certainly approaches it in different ways, even up to lately how we viewed let's say Africa Command and how the State Department decides to view its approach to Africa. When it's not coherent like that, we're going to keep getting beat to the punch in certain areas by China who comes in again with these full-on supplier package type of deals.

I think we need to continue to engage them in the international community because I think fundamentally they're starting to understand or they will soon understand, no matter what their 50- or 100- year goal is that they need to be a responsible international stakeholder, and they can't be ignored. They need to be held to certain standards so I think we continue to engage them, talk to them bilaterally, talk to them in forums like the G-8 and what have you, invite them to be part of whatever transparency efforts we can give. The Extractive Initiative, the Transparency Initiative, I can't remember--EITI I think it's called--but in any case, wherever we can, invite them to be part of the process, to make them understand the injurious effects that can be garnered through what they're doing.

And then cooperate with them where we can, because in the peacekeeping, again, that might be a bridge too far because we're focused elsewhere, but they do have some great things that they're doing medical-wise with their doctors, approaches to humanitarianism in Africa. We're doing the same. If we can collaborate in certain instances, that might be very helpful instead of trying to elbow each other out.

COMMISSIONER ESPER: Okay. Thank you.

HEARING COCHAIR BLUMENTHAL: Thank you both very much for both your testimony and a very useful and rich exchange and thank you for coming out here and providing us with that, and we're going to, I guess, take about five minutes and reconvene. No, we're going to take a 15 minute break and reconvene at 3:30.

DR. WATSON: Thank you.

COLONEL ROGERS: Thank you.

[Whereupon, a short recess was taken.]

PANEL V: TOOLS OF CHINA'S STATECRAFT: DIPLOMACY

VICE CHAIRMAN BARTHOLOMEW: Thank you everyone. Welcome back. Our next and final panel will conclude our in-depth examination for today of China's foreign affairs by critically examining the diplomatic

component of China's foreign policy.

Our first speaker is Lisa Curtis. She's a Senior Research Fellow at the Heritage Foundation where her research focuses on South Asia. Before joining Heritage, Ms. Curtis was a professional staff member of the Senate Foreign Relations Committee. Additionally, she has experience as an analyst at the CIA as well as the U.S. Foreign Service.

Our next speaker is Josh Kurlantzick. Mr. Kurlantzick is a Visiting Scholar in the China Program at the Carnegie Endowment for International Peace in Washington, D.C. He is the author of Charm Offensive: How China's Soft Power is Transforming the World. He's also a special correspondent for the New Republic, a columnist for Time, and a senior correspondent for The American Prospect. And I'd note that he's here today pending a birth; your wife is due any day now. Is that correct?

MR. KURLANTZICK: Yes.

VICE CHAIRMAN BARTHOLOMEW: So we're particularly pleased that he's here.

Our third speaker is Dr. Andrew Scobell, Associate Professor of Political Science at the Bush School of Government at Texas A&M University in College Station, Texas, formerly a research professor at the Strategic Studies Institute at the U.S. Army War College. Dr. Scobell is the author of China's Use of Military Force: Beyond the Great Wall and the Long March, and numerous other publications .

Our final witness is Mr. Andrew Small, a Program Associate at the German Marshall Fund of the U.S., based in Brussels. He is a Program Associate where he coordinates German Marshall Fund's new strand of work on China. He worked until recently as the Director of the Foreign Policy Center's Beijing Office and the Manager of the Center's China and Globalization Program, which was launched by Tony Blair and Wen Jiabao in May 2004.

He's been a Visiting Fellow at the Chinese Academy of Social Sciences and has written on a range of topics on Chinese foreign policy and Sino-U.S. relations. As well as his work on China, he has advised European governments on public diplomacy strategy and was an ESU scholar in the office of Senator Ted Kennedy in the summer of 2001.

So we welcome all of you, and we'll start with Ms. Curtis.

**STATEMENT OF MS. LISA CURTIS
SENIOR RESEARCH FELLOW, THE HERITAGE FOUNDATION
WASHINGTON, D.C.**

MS. CURTIS: Thank you, Vice Chairman Bartholomew, Chairman Wortzel, the rest of the Commission for inviting me here today to testify on China's role in South Asia.

China is expanding its diplomatic and economic activity in South Asia as part of an overall effort to enhance its global influence. The future direction of relations between China and India, two booming economies, that together account for one-third of the world's population, will be a major factor in determining broader political and economic trends in Asia that will directly impact U.S. interests.

China is wary of recent U.S. overtures toward India, especially the proposed civil nuclear deal, and it views Washington's moves as aimed at containing Chinese power in the region.

Beijing calculates, however, that its best defense against any possible U.S. attempt to try to contain it is through its own pursuit of better relations with India. At the same time, China is strengthening ties to traditional ally Pakistan and slowly improving relations with the smaller South Asian states to check Indian influence in its own backyard.

After decades of frosty relations, India and China are in the midst of a rapprochement based on both countries' desire to have peaceful borders and to avoid hostile relations that would limit their foreign policy options. China hopes that increased trade and investment ties with India will help counter strategic U.S.-India cooperation.

In just five years, China and India have increased the volume of their trade from five billion to over 38 billion in 2007. Despite the recent improvement in trade and economic ties, historical border disputes continue to plague the relationship with a sense of mutual mistrust.

India accuses China of illegally occupying territory on the northern border in Kashmir while China lays claim to India's northeastern state of Arunachal Pradesh.

India is host to the Dalai Lama and about 100,000 Tibetan refugees. The current unrest in Tibet could complicate India-China relations. Indian opposition politicians have called on the government to condemn the Chinese crackdown in Tibet. Indian officials will weigh their response carefully, however, to avoid antagonizing Beijing. India's initial response has been to express distress over the unsettled situation and emphasize that it does not allow Tibetans in India to engage in anti-China activities.

Beijing has lauded New Delhi for restricting Tibetans in trying to march to Lhasa and for protecting the Chinese Embassy from protesters. The Tibet uprising comes at a time when Indian-Chinese border friction is beginning to resurface. India and China fought a brief border war in 1962 after the Chinese unexpectedly invaded the eastern and western sectors of their shared borders.

High level border talks have taken place since 2003, but the Chinese have recently toughened their position by insisting that the Tawang district, which is a pilgrimage site for Tibetans in the state of Arunachal Pradesh be ceded to China.

Indian Prime Minister Singh visited Arunachal Pradesh in late January and announced development plans for the region, demonstrating India's non-negotiable stance on Tawang.

Energy also is a source of friction between China and India. They are two of the world's fastest-growing energy consumers with China importing about 50 percent of its energy needs and India importing 70 percent.

China has consistently outbid India in the competition for energy resources and these bidding wars have inflated prices for energy assets.

In Burma, for example, attempts by the Gas Authority of India to tap Burmese gas were thwarted by Chinese pressure on Burmese authorities. China and India also are increasingly looking to Iran to fulfill their growing energy demand.

India's warming ties to the U.S. and its interests in securing civil nuclear cooperation have encouraged India to more recently toughen its stance toward Iran's nuclear weapons program. India twice voted against Iran in the IAEA, once in the fall of 2005 and again in February 2006.

Pakistan and China have maintained longstanding strategic and defense ties. China transferred equipment and technology to Pakistan's nuclear weapons and ballistic missile programs throughout the 1980s and 1990s enhancing Pakistan's strength in the South Asian strategic balance.

China is currently helping Pakistan develop a deep-sea port at a naval base in Gwadar in the province of Baluchistan.

The smaller states of South Asia, namely Sri Lanka, Bangladesh and Nepal, also view good ties with China as a useful counterweight to Indian dominance. China uses military and other kinds of assistance to court these nations, especially when India and other western states try to leverage their aid programs to encourage respect for human rights and democracy.

For example, China provided military supplies to King Gyanendra in Nepal just before he stepped down from power in 2005, while India and the U.S. were restricting their military assistance in an effort to promote political reconciliation.

In recent years, Nepal has begun to crackdown on Tibetan refugees on its territory in an attempt to appease the Chinese. At the beginning of this month, Nepal's government ordered a raid on a center for Tibetan refugees and deported one of them shortly before the visit of China's assistant foreign minister to Nepal.

With large natural gas deposits, Bangladesh has gained strategic importance to both China and India as a potential source of energy.

So, in conclusion, China's policies toward South Asia are aimed at extending its influence, protecting its positions on the Tibet and Taiwan issues, and ensuring its continued access to critical energy resources. The U.S. should continue to build strategic ties to India including a robust military-to-military relationship as well as maritime cooperation to assist

India in playing a stabilizing role in Asia.

To ensure the peaceful, democratic development of South Asia, the U.S. will need to partner more closely with India in initiatives that strengthen economic development and democratic trends in the region.

That concludes my remarks. Thank you.

[The statement follows:]³

VICE CHAIRMAN BARTHOLOMEW: Thank you very much. Mr. Kurlantzick.

**STATEMENT OF MR. JOSHUA KURLANTZICK
VISITING SCHOLAR, CARNEGIE ENDOWMENT FOR
INTERNATIONAL PEACE, WASHINGTON, D.C.**

MR. KURLANTZICK: Thank you very much for inviting me to speak slightly more broadly about China's global influence. I actually do think, as we see this week from the crackdown in Tibet, that back in the late '80s, you would have had perhaps more countries like India taking a far harsher stance, and I think the somewhat more reticent stance today is due in part to China's growing global influence.

My message is a pretty simple one, which is that basically I think in the short term China's global model, which I'll talk about a little bit, has been relatively successful, partly in contrast to that of the United States, but in the longer-run, we'll get a better sense of whether this strategy is sustainable with foreign publics as well. I don't think we really have a good idea of that right now.

I think you see that China's global strategy today relies on a high degree of pragmatism. It deals with any state or political actor it thinks necessary to achieving its aims, which is a sharp contrast from the past, and it also emphasizes the idea of a win-win set of values that China is growing into a preeminent power where it supports a world in which countries can benefit from China's rise, and China contrasts this philosophy with that of the U.S., and in some cases, China seems eager to cultivate relations with nations, and particularly I'm going to talk more specifically about regional organizations, whose relationships with the United States clearly are faltering or weak.

I don't want to get into this in great detail, but clearly part of this is also due to China's growing aid programs, particularly aid given without the types of conditions imposed often by other lenders, although not always.

At the WTO and other regional trade organizations, China has begun to suggest that as the world's largest developing nation, it somehow has a better

³ [Click here to read the prepared statement of Ms. Lisa Curtis](#)

understanding of the needs of other developing nations within trade organizations even though I think in reality China's interests in trade organizations often line up much more succinctly and closely with western and developed states.

I also think clearly China has realized that by avoiding multilateral organizations in the past, it only stoked fears of China since other countries have less ability to interact with Chinese diplomats and few forums to discuss issues of concern.

China increasingly, and I think implicitly but also explicitly, uses its recognition in great efforts with regional organizations to contrast itself with the United States. For example, the United States has not signed the Treaty of Amity and Cooperation with the Association of Southeast Asian Nations, something China often mentions.

Increasingly, as well, I think, China has begun to start its own regional organizations with other parts of the world in which it can play a larger role often because they're either headquartered in China or have a larger Chinese presence.

In the short run, China's popularity clearly makes it easier for leaders, both in authoritarian countries and some democratic countries, to work more closely with Beijing and regional organizations, since they know their publics to some extent support warmer relations for now.

China has begun to use popularity to push, as we saw before, for closer defense relationships with key nations in Asia, Africa and Latin America, and increasingly to push Taiwan, not only out of its formal diplomatic relationships, which has been a very long-standing issue, but to keep Taiwan from international organizations in relatively important parts of the world for Taiwan like Southeast Asia, from even the kind of informal ties that historically have been very influential, a situation which I think leads to heightened tension and even panic within Taiwan.

Most recently, China persuaded the African nation of Malawi to switch to Beijing. China's skillful diplomacy also bolsters economic and trade relations, clearly including global hunt for resources. And its diplomatic strategy has to some extent led Beijing to take on more of the responsibility within regional organizations and to some extent global multilateral organizations of a significant power, which is a very positive change.

It also has allowed China to build closer relationships with regional organizations in Asia, Latin America and Africa, but in some cases to use these organizations to attempt to exclude the United States from important regional gatherings and regional interactions.

Once enmeshed in the organization, Chinese diplomats increasingly utilize their position in them, contrasting their relations with those of the United States, often absent from multilateral organizations, and to build important links to nations within the region.

At times, China working with other authoritarian states like Russia also has used regional organizations that they dominate to directly push back at policy goals, perhaps, for example, as in Central Asia where the two nations have helped push back against democracy-promotion efforts over the past five years, partly through using the forum and channel of the Shanghai Cooperation Organization.

Clearly, I don't need to go into this in great detail, and Andrew is going to talk more about this. China historically has shown a willingness at a range of international forums not to intercede in cases where pressure by foreign governments threaten other nations' sovereignty. There's obvious debate about whether this is changing.

I think in the long term, however, this model of global influence has many clear flaws. As even Chinese leaders themselves are beginning to realize, it hardly takes into account the wishes of broader populations and civil society organizations in all the nations where China is gaining influence. Lacking these connections, Chinese diplomats and companies increasingly have faced hardships all over the world in dealing with environments, their more vibrant media, labor unions, environmental groups, activist politicians.

China's diplomatic interactions with regional and multilateral organizations, also because it still today relies on preserving regimes and power, means that Chinese diplomats, though they have become more savvy, often fail to anticipate new political forces emerging within nations because they do not have the broad range of contacts, sometimes leaving Beijing at a loss when there are significant political transitions.

What's more, when China becomes more assertive within regional and multilateral organizations, it to some extent works against itself because it scuttles the very perceptions it's trying to create that it's somehow this different type of diplomatic power that doesn't challenge other countries' sovereignty and doesn't make demands.

So it's created a kind of Catch-22 for itself, making matters worse in many cases within regional organizations that have to some extent started to embrace global standards of environmental policies, corporate governance, human rights. There have begun to grow perceptions of China as an unfair competitor, China as an exporter of poor corporate governance, China as exporter of its own environmental policies. I think this is particularly noticeable in Southeast Asia.

I'm going to stop here and I would welcome questions and comments. In my prepared statement, I made some further recommendations regarding an American response to Chinese diplomacy in regional organizations.

Thank you.

[The statement follows:]⁴

VICE CHAIRMAN BARTHOLOMEW: Thank you. And before we have you testify, Dr. Scobell, I should note in the interest of full disclosure that you have been writing and co-authoring and co-editing, partner in crime, with Chairman Wortzel, co-authoring a number of papers and chapters and co-editing so many books that Dr. Wortzel couldn't even remember how many.

So we look forward to your testimony.

**STATEMENT OF DR. ANDREW SCOBELL
ASSOCIATE PROFESSOR OF INTERNATIONAL AFFAIRS AND
DIRECTOR OF THE CHINA PROGRAM, GEORGE H. BUSH SCHOOL
OF GOVERNMENT AND PUBLIC SERVICES, COLLEGE STATION,
TEXAS**

DR. SCOBELL: Guilty. I'm guilty. It's a pleasure to be before the Commission again. I think you made the mistake, the Commission made the mistake once several years ago of inviting me to speak, and hopefully you don't think it's a mistake again.

Talking about, of course, Chinese diplomacy, I think while the subject of motives, drivers may have been touched on earlier today, I still think it's important to address motives in this in this panel as well.

The theme running through my prepared remarks is I think that Chinese diplomacy is going global. I think everyone in this room would tend to accept that. The key question is why? What's driving this?

I don't think it's expansionism. I don't think it's an attempt at global domination, an effort to take down the United States, anything quite so dramatic, frightening. Rather, I think the fundamental driver of China's growing global activism is to protect what Beijing believes is a fragile domestic stability or equilibrium.

For China's communist leaders, national security is about regime survival and that means total stability. In an era of globalization, Beijing's leaders recognize that what happens beyond China's borders and well outside of their control can directly and dramatically affect internal conditions in China, either positively or negatively.

As the 2006 Defense White Paper states: "Never before has China been so closely bound up with the rest of the world as it is today."

I would say that Beijing's unofficial mantra would be "thinking locally demands acting globally." What is required, Beijing's leaders have concluded, is a more proactive and global foreign policy. China's global diplomatic initiative is not so much an indicator of strength and confidence

⁴ [Click here to read the prepared statement of Mr. Joshua Kurlantzick](#)

on Beijing's part as it is an indicator of deep-seated feelings of weakness and insecurity.

I contend three main motives are driving this foreign policy, the most important I've already mentioned, internal stability. The other second is managing its relations with the United States; in short, Beijing wants to continue to have a good relationship with the U.S., but that does not always mean agreeing with the United States or going along with U.S. policy in every instance.

A third important policy priority for Beijing is to enhance its international standing and status. And I don't think we should underestimate the importance of this driver. Much has been said about the Chinese concept of face, the importance of being respected, being looked up to, but there's a very important practical dimension to this, and that is related to domestic stability, related to political legitimacy at home.

The more China is respected around the world or seen to be respected, the more it enhances the legitimacy of China's Communist leaders. To the extent that they're not, it can undermine the legitimacy of China's leaders.

In short, China must look stronger and more respected abroad for its communist leaders to feel more secure at home. Now, Taiwan, I think, figures prominently in all of these three motives, and I won't go into that at this point.

I've stressed, then, China's insecurity, that fundamentally China's leaders are insecure, but they are increasingly confident and comfortable at utilizing and employing the instruments of national power including, especially for the purposes of this panel, diplomacy.

So I'll make a distinction there. Fundamentally, they're insecure, but they're very comfortable in utilizing the instrument of national power we're talking about today -- diplomacy -- and increasingly capable of utilizing diplomacy to promote their goals.

So what about methods and mechanisms of implementing this diplomatically? Actually I'm sitting next to the man who wrote the book, so I'm surprised actually that he didn't mention the term "soft power." Soft power is a fuzzy concept to many people including its originator, Joseph Nye, and the Chinese people.

They use the term--it's a hot word in Beijing right now--but while it may be ambiguous about what it actually means, I would think that--maybe Mr. Kurlantzick would agree--that most Chinese seem to think that soft power includes diplomacy.

So I outline four areas of diplomacy and they could also be construed, as I said, as a soft power, and in each area, there is something old and something new. Let me just very quickly outline those four areas.

First, China continues to emphasize great power diplomacy, but at the same time, it's launched a whole new energetic initiative in public

diplomacy, and one of the key examples there would be the initiative to establish Confucius Institutes around the world, and I'd be happy to talk about that later on.

The second area, China continues to welcome distinguished guests to China, practice soft power "in-reach" inviting people to China to wow them, to influence them, but China has also launched an "out-reach" initiative unprecedented in Chinese history, sending China's diplomats all over the world.

Third, Beijing continues to devote careful attention to cultivating bilateral relationships, but at the same time it's to an unprecedented degree engaged in multilateral diplomacy.

The fourth area, China continues to focus its efforts on Asia, but at the same time its reach is global, and you now have Chinese diplomats who are quite literally, globetrotters.

I'd be happy to elaborate on any of those things in the Q&A, but to sum up, Beijing's diplomatic efforts are extremely ambitious, global in scope, and unprecedented in Chinese history. The methods and mechanisms China is employing are a blend of old and new. They're driven by three central motives: desire to ensure stability at home; to maintain cordial relations with the United States; and to raise China's status in the world.

Thank you.

[The statement follows:]⁵

VICE CHAIRMAN BARTHOLOMEW: Wonderful. Thank you. Mr. Small.

**STATEMENT OF MR. ANDREW SMALL, PROGRAM ASSOCIATE
GERMAN MARSHALL FUND OF THE UNITED STATES
BRUSSELS, BELGIUM**

MR. SMALL: Thanks for very much, Chairman Wortzel and Vice Chairman Bartholomew, for giving me the opportunity to testify on this subject, China's changing diplomacy towards rogue states.

China's policy in this regard has, I argue, gone through a very consequential shift in the last few years. Back in the first half of 2005, the popular caricature of China's position was actually not that far off the mark. It appeared to be going out of its way to provide uncritical political support to authoritarian regimes that were feeling the heat of international pressure.

Mugabe and Karimov were granted lavish visits to China at the peak of the world's outrage over the Andjian massacre and Mugabe's brutal slum clearance campaign. It threatened to block any Security Council action over Sudan and to prevent even a discussion of the situation in Zimbabwe.

⁵ [Click here to read the prepared statement of Dr. Andrew Scobell](#)

And in the Six-Party Talks, it acted as the host, but it seemed to see that as the end of its responsibilities.

The story since then, however, has been one of China developing a steadily more sophisticated approach to dealing with the mix of issues that its ties with these governments throw up.

This doesn't mean that China is turning into a genuinely like-minded partner in dealing with rogue states, and its economic support and willingness to continue selling arms to them is an ongoing problem. But on the diplomatic side, China's cooperation is becoming an increasingly central factor in efforts to find solutions to the crises in North Korea, Iran, Sudan and Burma.

And working out what the parameters of China's role are and how best to leverage it is becoming an ever-more important issue for U.S. policy.

I'm going to try to do three things as quickly as possible: describe what this policy shift amounts to; why it's come about; and what its implications are.

One of the reasons this has been difficult to pin down is because it's an area of Chinese policy, foreign policy, in considerable flux. What you don't have yet is a well-developed doctrine that could provide clarity about the circumstances in which Beijing considers international pressure on problem states to be legitimate and what nature that pressure should take.

What is true is that old Five Principles language such as noninterference in internal affairs, which at least offered some degree of predictability, is now subjected to so many caveats that Chinese diplomats and intellectuals have been looking for something new to replace it.

However, implicit in what China has been doing in its diplomacy is a relatively distinct approach which I would summarize as follows:

China continues to act as a diplomatic protector and is deepening its economic ties with pariah states. But it's now willing to make its protection more conditional on their taking steps towards international acceptability. It's also willing to use its special relationships with these countries to persuade or strong-arm them into taking steps that they clearly find uncomfortable, whether that's agreeing to the deployment of an international force, the visit of a U.N. special envoy, or expediting a political and economic reform process.

This cuts in both directions. When China believes that these states are behaving with complete recalcitrance, as in the cases of North Korea and Iran, it's been prepared to support the imposition of sanctions and to express open criticism of the situation in these countries.

Yet, China is also still willing to block efforts to exert pressure on these countries, either when it believes it to be unjustified interference or where Chinese economic interests are directly at stake. We've seen this particularly in the case of Chinese efforts to hold back U.N. sanctions on

Burma entirely and to restrain the scope of U.N. sanctions on Iran.

This has led to China taking an increasingly active role in brokering between these regimes and the international community. Most obvious is the case of North Korea where Chinese shuttle diplomacy, its drafting of joint statements, and its efforts to find compromises have become such a feature of the talks process.

But it's also been true of Sudan and Burma, and there have been a number of suggestions that China take the same stepped-up role with Iran where its diplomatic involvement has been more modest.

The argument that some would make is that this is simply cosmetic and it's not really affecting outcomes on the ground. I looked at Tom Christensen's testimony from earlier on; and there's now a bit of a list. I think at the beginning of 2007, it would probably have been accurate to say that. I think over the last year, though, this new approach has delivered some results that I mention in the longer, submitted written testimony.

I won't go into that in so much depth now, but I will talk about the drivers of this change. First, China has seen that its relationships with international pariahs need to be weighed against the risks of harming its far more consequential relations with the United States and other western powers. And I think the risks of the downside are clear, but it's also been the upside that it's seen from closer cooperation.

I think China's experience of practical cooperation over first the North Korean nuclear issue and then a growing list of other cases has reassured China that diplomatic coordination with the U.S. in this field can help safeguard Chinese interests, and China increasingly believes that when it comes to dealing with these regimes, the United States needs China's help and providing it may have some payoffs elsewhere.

Second, Beijing has obviously seen that even if its relations with U.S. officials are in good shape, it will still face serious problems if broader public opinion is hostile. Not only is there the risk that a broader backlash against China's global role could gain political momentum, but China wants to ensure that it's not operating in a global environment of constant scrutiny, suspicion and condemnation.

Third, as China's investments in these countries have grown and its citizens have been arriving in growing numbers, China has had to develop a more sophisticated and balanced way of securing interests on the ground.

Chinese officials now distinguish between the relationship needed to strike the deals with repressive governments over oil and gas and the relationships needed to make a success of these investments over the longer term. I think, as came up earlier on, the kidnappings and killings of Chinese in Ethiopia, Niger, Nigeria, Pakistan, the attacks on Chinese property in Zimbabwe and Zambia, threats to Chinese oil installations from JEM in Darfur, and the protests outside the Chinese Embassy in Rangoon at the peak

of the protests have all acted as warning signs.

China fears that the targeting of Chinese assets and citizens could become a more systematic political tactic.

Over the longer term, China has profound doubts about the stability and viability of some of these governments and this has almost certainly-- and again this came up earlier on--driven its efforts to develop ties with broader groupings in these countries, reaching out to different factions in ZANU-PF and possible successors to Mugabe, developing extensive relationships with the democratic opposition and ethnic minority groups in Burma, and moving to extend ties, for instance, with the government of South Sudan.

Fourth, and last, there has been a high-speed learning process about how best to secure Chinese interests in international diplomatic forums. China has seen that activist diplomacy and a willingness to use these strong-armed diplomatic tactics on an issue like North Korea can serve China better than a position on the sidelines.

They've come to appreciate also that putting some sort of a working political process in place to deal with these crises can hold back more coercive action and help maintain China's seat at the table, whether that's the Gambari and National Convention processes in Burma, Six-Party Talks, the Darfur peace talks or the EU-Three Plus Three meetings on Iran.

When these tracks have broken down, China has in turn been more willing to consider U.N. Security Council action as a last resort rather than risking the kind of systematic deadlock in the Council that could lead to the United States and other powers looking to alternative forums or even resorting to military action.

There's a number of obvious restraining factors. I think my time is kind of running out, but just to skim through very quickly. China sees its willingness to cooperate on policy towards rogue states on the diplomatic side partly as a means of justifying its economic relationships with them.

It does not, for the most part, consider its economic ties as a means to exert pressure. There's a values gap with the United States. There's a threat perception gap too, and that's very clearly true. China also obviously sees continued value in maintaining good relations with these countries and in sustaining its reputation as a champion of the interests of the developing world.

It's concerned about the implications, if it's seen to go too wholeheartedly into the western camp, and for the most part, though it's happy to play the kind of good-cop role with rogue states, it will only play bad cop in the most exceptional circumstances.

I think I'm probably running out of time so I won't run through the issues that this poses for U.S. diplomacy, but I went into these in greater detail in the testimony I submitted.

Thanks very much.
[The statement follows:]

**Prepared Statement of Mr. Andrew Small, Program Associate
German Marshall Fund of The United States
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China's changing policies towards rogue states

Chinese policy towards rogue states has undergone a quiet revolution in the last few years. While China is far from being a genuinely like-minded partner to the United States in dealing with these countries, its cooperation is becoming an increasingly central factor in diplomatic efforts to find solutions to the crises in North Korea, Iran, Sudan, and Burma.

The approach that Beijing is developing is distinct. While continuing to act as a diplomatic protector and deepening its economic ties with pariah states, it is more willing to make its protection conditional on their taking steps towards international acceptability. And Chinese diplomats, who once sat on the sidelines and abjured responsibility on the grounds of China's status as a 'developing country', now devote increasing energy to brokering compromises between these regimes and the international community.

This evolution cuts in both directions. When China believes that these states are behaving with complete recalcitrance it has been prepared to support the imposition of sanctions and to express public criticism. Yet China is also increasingly willing to block efforts to exert pressure on these countries when it believes it to be unjustified interference or where Chinese economic interests are at stake. Importantly though, Beijing's attitude towards 'non-interference in internal affairs' has shifted: aside from cooperation on traditional threats to international security, China is now willing, albeit in limited circumstances, to treat internal repression and atrocities as legitimate grounds for international intervention.

It would be easy to dismiss this as mere tactical flexibility. Moreover, there is a strong argument that these shifts in Beijing's stance remain modest and need to be viewed in a context where China's trade links, investment, and preparedness to sell arms to rogue states continue unabated. But China's willingness to use its 'special' relationships with these regimes to persuade, and even strong-arm them into taking steps that they clearly find uncomfortable has delivered some undeniable diplomatic successes. Determining how best to leverage Beijing's role will be a critical factor in future U.S. diplomacy towards rogue states, as well as an increasingly central element of the bilateral U.S.-China relationship in the coming years.

The testimony below sets out the nature of the shift in Chinese policy, the driving factors, the constraints on its scope, and the implications for U.S. policy.

Current state of play

The background to China's growing role in rogue states has been covered in previous Commission hearings. As a target for extending China's overseas investments and securing resources, these countries present attractive qualities. There is a relative lack of competition from Western companies, barred by sanctions, concern for reputational risk, or simply the difficult operating conditions. And the governments of these countries understand the value of securing a close relationship with a rising, non-Western power, with a seat on the P5, that can act as both economic benefactor and political protector. The push and pull factors have varied. CNPC's initial deals in Sudan went ahead despite Chinese government apprehension; since the start of the decade, the 'go out' strategy has seen more extensive packages of government support to Chinese companies seeking to make international investments; and more recently, there has been assiduous courtship and inducements from regimes establishing

'Look East' policies of different sorts.

This basic dynamic has not gone away. China was awarded a major natural gas exploration contract in Burma within days of vetoing a UN Security Council resolution directed against the junta in January 2007, despite putting in a lower bid than an Indian competitor. And with European and Japanese companies pulling out of Iran, China has been stepping in, with Sinopec and CNOOC signing major deals within the last few months alone. But much else has changed.

In a recent article in *Foreign Affairs*, my co-author, Stephanie Kleine-Ahlbrandt, and I trace the gradual and experimental process through which China's diplomatic approach to managing these relationships has shifted over the past few years. It is useful to compare the current situation with that of barely three years ago. In the first half of 2005, China seemed to go out of its way to provide political support to any authoritarian leader under threat – welcoming Uzbek president Islam Karimov with red-carpet treatment to Beijing within a week of the Andijan massacre and Robert Mugabe to a week-long visit at the peak of international outrage over his campaign to demolish households in opposition strongholds. In the UN Security Council, China had threatened to veto resolutions on Sudan and attempted to prevent even discussion of the crisis in Zimbabwe. Beijing took a quiescent role in the North Korean nuclear crisis, a host for the Six Party Talks but not much more.

At the beginning of 2008, by contrast, China has just supported its third UN Security Council resolution tightening sanctions on Iran. Its special envoy has recently returned from Khartoum publicly expressing 'grave concerns' to the Sudanese government about the situation in Darfur and calling on it to speed up the deployment of peacekeepers to the province. The deployment itself was one that the Sudanese government agreed to following heavy Chinese pressure last July, when Beijing was able to announce the passage of UN Security Council 1769 authorising the deployment of the force, to operate under a chapter 7 mandate, on the final day of its Security Council presidency. Chinese peacekeepers were among the first to deploy.

China is also currently taking a leading role in attempting to broker an agreement that can break the impasse in the second phase of the North Korean denuclearisation process, engaging in shuttle-diplomacy with Pyongyang, and drafting proposals for the sequencing of measures to be undertaken by the two sides (the United States and North Korea). Pyongyang has seen the willingness of its leading supporter publicly to turn on it where necessary, with Beijing describing North Korean behaviour as 'brazen' after the nuclear test in October 2006 and supporting a tough sanctions resolution. In Burma, UN special envoy Ibrahim Gambari has concluded a third visit – including a further round of meetings with Aung San Suu Kyi – which have come about under systematic Chinese pressure on a reluctant junta to accept him. China's hand is also seen behind the regime's announcement of a 'roadmap' that will include a referendum on a new constitution in May and elections in 2010, a process that China has pushed the junta hard to expedite.

Of course, these headline statements require a long list of caveats. In the negotiations on Iran sanctions, China no longer hides in Russia's shadow and pushes hard to limit their scope. During a period when the Sudanese government has systematically obstructed the deployment of the international force and escalated attacks in the region, China's most notable action was the blocking of a UN Security Council Presidential Statement demanding the extradition of suspected war criminals to the ICC. The referendum and election process in Burma is widely seen as a way of legitimizing military rule, will exclude Aung San Suu Kyi, and will correspond to no imaginable international standards.

But China is nonetheless a fundamentally different diplomatic actor in dealing with these situations than it was in the recent past. Particularly notable is the degree to which policy has shifted simultaneously towards these different countries – both because China is learning and applying lessons from one case to another and because common factors are driving the shift. There are, of course, great differences in the bilateral relationship dynamics. Neighboring Burma or North Korea, where border stability plays such a vital role in China's calculations and where

the governments chaff against a big brother relationship, are not a like-for-like comparison with Zimbabwe or Sudan. The nuclear crises in North Korea and Iran are qualitatively different in nature from the internal crises in Sudan or Burma. And the scope of China's leverage varies greatly between North Korea, where it is the leading supplier of energy and aid; Burma, where it has been in pitched competition with India for natural gas contracts; and Iran, where, despite the extent of its trade ties, it plays a much less central diplomatic role. Yet a number of overarching factors have pushed China from what was, three years ago, a largely obstructive approach to the present level of cooperation.

Drivers

Risks and benefits in relations with the United States

China has seen that the advantages of extending its relationships with international pariahs need to be weighed against both the risks of harming relations with the United States and other Western powers, and the advantages that can accrue to China from closer cooperation. The risks were pressed on China forcefully in September 2005 by then-Deputy Secretary of State Robert Zoellick, who argued that China's ties with 'troublesome' states would 'have repercussions elsewhere' and that China needed to choose whether 'to be against us and perhaps others in the international system as well'. But Zoellick also paired them with the prospect of a 'transformation of the Sino-American relationship' to a state where China and the United States are systematic partners – stakeholders – in sustaining the global system. This message was reinforced during Hu Jintao's visit to Washington in April 2006, when China was pressed in meetings with President Bush to cooperate with the United States on policy towards North Korea, Iran and Sudan. While initially perceived as a burden, cooperation on these issues has nevertheless been seen by the Chinese leadership as an opportunity to firewall the U.S.-China relationship against a downturn and to create the goodwill necessary for greater cooperation on China's own priorities (most notably vis-à-vis Taiwan). As cooperation with the United States has proceeded on a case-by-case basis – first North Korea, then Sudan, most recently Burma (and Iran, to a certain extent, throughout) – China's confidence in the benefits of this approach have certainly grown and its suspicions about the risks have diminished. The United States is, of course, far from the only country taking this stance towards China – the Europeans and others, in pressing similar messages, ensure that China is not simply lining up with the United States but with a broader international consensus.

Chinese soft power

While demonstrating to U.S. officials that China is a constructive partner is a high priority, Beijing has seen that it will still face serious problems if broader public opinion is hostile. Although the Olympics have provided a focal point, the issues at stake transcend them. Not only is there the risk that a popular backlash against China's global role could gain political momentum but China naturally wants to ensure that it is not operating in a global environment of constant scrutiny, suspicion, and condemnation. The 'genocide Olympics' campaign showed the scale of the threat to China's image that association with these regimes poses if there is no genuinely defensible position that Chinese officials can take. While China's policy on the Darfur issue had moved months before the campaign started, it created considerable additional pressure for Chinese diplomats to deliver results with Khartoum and led to the appointment of special envoy Liu Guijin.

Chinese officials are generally suspicious about the motives and agendas of the NGOs that target China on these issues. They complain about what they often perceive to be a hostile media. But privately they often admit that they are embarrassed to be associated with the likes of Ahmadinejad, Mugabe, or the Burmese junta, and that these rogue state relationships undermine China's efforts to portray itself as a responsible power. How much of this is concern about image and how much reflects the fact that Chinese officials are genuinely concerned about the situations in questions is an interesting question. Perhaps the most substantial point of critical Chinese feedback about the *Foreign Affairs* article on this subject concerned this issue of 'values': the article having claimed that China's position on these issues reflected no more than a cold calculation of interests. It is certainly fair to say that Chinese diplomats make a distinction between the 'bad authoritarians' in Burma, Zimbabwe, or North Korea, whose populations suffer from desperately stagnant or deteriorating conditions, and 'good authoritarians', such as Russia, Vietnam or China itself, whose people at least appear to benefit from economic growth. In the former case, China

privately urges reforms on the regimes and has been willing, at points, to be openly critical of the conditions in these countries. At the very least, China knows that being seen in the same camp as the ‘bad authoritarians’ poses a threat to the international legitimacy of its own system. But when Chinese diplomats return from Darfur making statements about being moved by the stories of people forced to flee their homes, it would be unfair to dismiss this purely as cynical public relations tactics and to fail to recognize the degree to which a more active involvement in these crises might bring more basic human concerns into play.

Securing China’s interests on the ground

As China’s investments in these countries have grown and its citizens have arrived in increasing numbers, China has had to develop a more sophisticated way of securing its interests. After a flush of enthusiasm rushing into countries such as Zimbabwe, Chinese officials have discovered a marked difference between the relationship needed to strike the deals with repressive governments and the relationships needed to make a success of these investments in the longer term. The short-term component has been the kidnappings and killings of Chinese workers in Ethiopia, Niger, Nigeria and Pakistan; the attacks on Chinese property in Zambia and Zimbabwe; threats to Chinese oil installations from rebel groups in Darfur; and protests outside the Chinese embassy in Yangon during the September demonstrations. China fears that the targeting of Chinese assets and citizens could become a more systematic political tactic – or that popular resentment about the Chinese role could explode. This is particularly acute in countries such as Burma, where there has previously been large-scale violence directed against the Chinese population, which currently numbers as much as a million.

Over the longer-term, China has profound doubts about the stability and viability of some of these governments. As it looks to portray itself as a neutral force rather than an unequivocal backer of government repression, it has made efforts to develop ties with other groupings in many of these countries. It has reached out to a number of different factions in ZANU-PF and possible successors to Mugabe; it has developed extensive relationships with the democratic opposition and ethnic minority groups in Burma; and it has moved to extend ties with the Government of South Sudan. The need for a more balanced set of relationships inevitably pulls China towards a more nuanced position than was the case before it engaged in a meaningful way with these internal political dynamics. And China knows it cannot afford to place all its chips on the survival of fragile and unpopular regimes.

Securing China’s interests in international forums

The pace of China’s diplomatic learning process has been faster than Chinese officials would have liked and has led them well outside their comfort zone. In North Korea, Burma and Sudan, Beijing has been pushed to take a centre-stage position that it would rather have avoided – but the outcome has been a considerable growth in China’s diplomatic self-confidence. The North Korean nuclear test in October 2006 was perhaps the single most important catalyst. Having tried to sit on the fence and placate both sides, China found itself instead with the worst of all worlds: a declared nuclear North Korea; the United States believing that China had done too little to head the threat off; and North Korea believing that China had sold them out to the United States over financial sanctions. Since then, while retaining an instinctive reluctance to exercising a leadership role, Chinese officials have done a far better job of punching (at least) at their weight, shaping diplomatic processes, and determining clear Chinese policy objectives when dealing with diplomatic crises. Beijing has also come to see the value of ensuring that there is a political process in place to deal with these crises that it can point to in order to hold back consideration of coercive resolutions at the UN Security Council. This includes the Gambari and National Convention processes in Burma, the Six Party Talks, the Sudan peace talks, and the EU3+3 meetings on Iran. When these tracks have broken down, China has been willing to consider UN Security Council action. While it is a less-preferred option, it is still better than a systematic deadlock on the Council that could lead to the United States and other powers looking to alternative forums or resorting to military action.

Constraints

Several important limits to China’s role, however, must be born in mind when considering US policy responses. China sees its willingness to cooperate on policy towards rogue states partly as a means of justifying its economic

relationships with them – it does not consider its economic ties as means to exert pressure. Even when China has supported sanctions, it tends to treat them as a largely ‘symbolic’ measure. Similarly, China’s attitude towards weapons sales has been legalistic and defensive. This position has been maintained despite consistent evidence that Chinese weapons have, for instance, been systematically used in Darfur and by Iranian linked groups in Afghanistan.

Important constituencies in China – mostly on the commercial and military side – believe both that trade ties must continue uninterrupted and that full-spectrum cooperation with Western policy should not be pursued. Even among Chinese supporters of cooperation with the United States, there is a limited degree to which values and threat perceptions are really aligned. China is undoubtedly concerned about the risks to its interests from further nuclear proliferation and there is some degree of distaste for the behaviour of the Sudanese government and the Burmese generals. But it does not see the likes of Iran as a threat *per se*, and plenty of Chinese officials see internal repression of the sort that took place in Burma last September as understandable, even if regrettable. China therefore treats elements of its cooperation as something of a concession to the West, which could be reversed if relations were to take a serious turn for the worse.

China also sees continued value in maintaining positive relationships with these countries and in sustaining its reputation as a champion of the interests of developing countries (or at least their governments). It knows that its leverage and influence over rogue states derives from being seen by these regimes as an economic supporter and diplomatic protector that will slow down or fend off Western pressure, even if not to the extent of provoking a confrontation with the United States. But China is concerned that its reputation is fragile and that if it is seen to go too wholeheartedly into the Western camp then its capacity to play a central role in these crises is diminished – and even its support in the G77 over issues such as Taiwan and human rights may even be at risk. Moreover, these regimes are stubborn, paranoid and often have cards of their own to play with the Chinese. None of them are going to compromise on basic regime interests, even under very heavy pressure. For the most part then, China is – in the crudest formulation – happy to play ‘good cop’ with rogue states but will only play ‘bad cop’ in the most exceptional circumstances.

Issues for U.S. diplomacy

This is a policy area in considerable flux, and is still moving forward on a case-by-case basis. But in the short-to-medium term, these basic elements of Chinese foreign policy practice have become relatively predictable, with some obvious implications.

i) China wants to be seen to be on the right side of the United States on issues that it perceives either as serious U.S. security concerns (North Korea, Iran) or issues with domestic U.S. political traction (Sudan, Burma). When the United States defines these as priorities, it can now reasonably expect to receive some meaningful level of cooperation from Beijing. The extent will depend on China’s own stake in the issue – high in the case of North Korea, where there is a genuinely shared concern over denuclearisation, lower on Burma, where there is no basic alignment with the United States on the fate of the regime or the establishment of a genuine democracy there. It will also depend on U.S. willingness consistently to convey the need for Chinese cooperation on these issues at the highest political levels. The top leadership in China is still driving the major policy shifts in this area and need to intervene above the heads of the disparate, competing bureaucratic and economic interests lower down in the hierarchy. This high-level attention needs to be maintained. When President Hu Jintao and Premier Wen Jiabao are being pressed regularly in meetings and telephone calls, the level of diplomatic activity on an issue such as Sudan is naturally higher. But Chinese attention and efforts are wont to drift when its political salience on the U.S. side is perceived to diminish.

ii) China is acquiring increasing scope to define the bottom line when it comes to multilateral agreements on policy towards rogue states. It negotiates hard on the details and generally makes some measure of compromise on preferred U.S. policy a precondition of its support. China’s support has been deemed valuable enough to make this

process worthwhile, and weakened Security Council resolutions preferable to no resolutions. In some cases, the weakening of these resolutions has even been necessary to gain governments' consent to the proposed measures proposed, such as the AU/UN hybrid force in Darfur; but in others, they have largely reflected a fear that China's own economic interests are under threat. Calling China's bluff by putting tougher resolutions on the table than it indicated willingness to support has real risks – China vetoed the draft resolution on Burma in January 2007 when a Presidential Statement could likely have been agreed, and there is good reason to think that they would be willing to do so again.

In broad terms, this U.S. approach makes sense. The multilateral track is delivering important enough results that keeping China on board is now a real priority. It is also important to bear in mind that the real focus of Chinese efforts is more often on the bilateral track – when its diplomats are willing to play diplomatic hardball in Pyongyang, Naypyidaw, or Khartoum. But if China continues to place major limits on the scope for pursuing coercive methods against rogue states through the UN Security Council, parallel coalitions that are prepared to go further will also need to be built outside it. One recent example of this was bilateral U.S. financial sanctions on Iran and Burma, a tactic that a number of other countries (and companies) have supported. In some circumstances, such approaches may put Chinese cooperation in jeopardy, particularly where it involves the targeting of Chinese companies. But so far, it has as often led to the parts of the Chinese economy that have a stake in access to the Western financial system – most notably Chinese banks – grudgingly taking steps that go beyond anything that could ever have been agreed at the UN, without damaging the primary multilateral track.

It is also important to note China's fear of being cut out of the process entirely. For instance, the greatest risk to Chinese interests in some of these cases has been the prospect of US military intervention – most obviously in Iran, but even in a case such as Sudan, where options such as no-fly zones or missile strikes on Khartoum have been floated. Where there is a credible threat that the failure of a process (such as the EU3+3) will lead to the issue falling outside Chinese control, there is far more incentive for China to ensure that the process delivers. And when that threat comes off the table – as they believe it to have in the case of Iran – the pressure to cooperate quite so extensively diminishes.

iii) Building a wide international consensus on policy towards specific rogue states – making them into genuine pariahs – will also contribute towards more active Chinese cooperation. China does not want to be isolated. Even when vetoing the Burma resolution, China solicited Russia to veto alongside it and is very loath to be the odd one out among the P5. It is also willing to show some deference to the preferences of regional organisations such as the AU, ASEAN and SADC, whose political cover, *inter alia*, makes it easier for China to cooperate with the West without being seen to 'sell out' its friends in the developing world. If the United States invests diplomatic energy in squaring other key allies, neighbors, and regional organisations – even those that may be perceived as otherwise ineffectual – both the ease of getting China on board and the extent of its cooperation will be that much greater.

iv) The United States and its allies need to keep pushing China to bring the full extent of its leverage to bear. At present, it is too much to expect that China would suspend its economic cooperation with some of these countries. But Beijing can reasonably be asked to spell out some red lines beyond which it would be willing to apply pressure on these governments through economic as well as diplomatic means. China must also be pushed hard to restrain its companies during sensitive moments in diplomatic processes, even if Chinese leaders only do so through the exertion of informal pressure rather than legal means. The willingness of Chinese energy companies to sign major deals with Iran at the same time as negotiations on another UN Security Council resolution were underway undermined its impact. They could very likely have been prevented if political pressure from Beijing on Sinopec and CNOOC had been brought to bear. There are many other similar cases of Chinese mixed messages, and over time it will be harder to persuade even U.S. allies to cooperate if China moves systematically to pick up every contract they pull out of. Similar principles apply on weapons sales. When Chinese arms continue to turn up in Darfur despite the UN embargo, China should be pushed to restrain supplies to Khartoum until they can guarantee that this will no longer happen.

In every case, when behind-the-scenes Chinese diplomacy is delivering results, it is reasonable enough for Chinese diplomats to argue that they are doing what they can – but when it isn't, China should be pressed to use the other tools it has at its disposal.

China's new pariah state policy

In the final analysis, there is much to be upbeat about. There is now an important, basic level to which China takes a responsible position in dealing with these states. There is also an acceptance on China's part that the United States and others are right to expect it to take such a position of responsibility. And when China does step up on the issues, it does not act purely as a plus-one but brings new elements to the table – a level of trust and a form of leverage with many of these countries that the United States and other powers do not always have. Its desire not to risk serious rifts in these relationships acts as a constraint on U.S. policy, both because of China's willingness to hold off certain sorts of coercive international pressure and because its economic links provide these countries with a lifeline that most of them would not otherwise enjoy. In some cases, the United States will have to push China to go further; in other cases find ways of exerting pressure on these countries despite Chinese resistance. But the level of cooperation that China is already comfortable offering is already starting to produce meaningful results. It is now reasonable to expect that a major component of U.S. efforts will on many occasions be one of effective policy coordination with the Chinese.

The scale of China's policy shift and its level of alignment with the United States should not be oversold – China is not going to bring democracy to Burma or stop buying oil from Iran. But the existing Chinese policy is a leap beyond what would have seemed plausible barely two years ago. Rather than debating whether or not a shift has really taken place, the aim now must be to determine how best to take advantage of it.

Panel V: Discussion, Questions and Answers

VICE CHAIRMAN BARTHOLOMEW: Thank you. We'll go into questions. Commissioner Wortzel, Chairman Wortzel.

CHAIRMAN WORTZEL: Thank you all very much. I very much appreciate your taking the time to be here and to testify. I have a question for Ms. Curtis and a comment for one of the recommendations by Mr. Kurlantzick that you're welcome to respond to.

Lisa, we talked/e-mailed together about I would really like to have you discuss the parallel or shared interests between China and India with respect to Iran that conflict with or may conflict with U.S. interests. Each has security cooperation with Iran. Each has some level of arms sales program with Iran. They both have energy needs from Iran, and at least with respect to India, there's a horrible, horrible history of Soviet intelligence service, KGB and GRU penetration of the Indian military and industry.

So what do we need to worry about as we need to go into defense cooperation with India?

Mr. Kurlantzick, one of your suggestions is, I would interpret it as literally the creation of an international core of Chinese specialists in the State Department who would populate every embassy and look at China's relations with Country X in addition to increase in posts in China.

I think you complain that the State Department says that it would be

confrontational. I hate to agree with the State Department, but frankly, I've worked in four embassies. I think that a regional coverage plan really accounts for that, and that that Sino-centric type of attention that so privileges what China does does create a confrontational environment. It would create I think a huge personnel management problem for the Department of State.

Frankly, it is the way we managed our relations or our tracking of the Soviet Union's activities through the whole Cold War to the detriment sometimes of other reporting. So I'd say that we need to focus on what America's interests are, but not focus on how we can combat or confront Chinese. I'll leave it at that.

MS. CURTIS: Thank you and thank you for the opportunity to try to put in context India's relationship with Iran because I think it's extremely important. In terms of India-China parallel interest in Iran, I would say that's mainly in the energy issue, both huge energy consumers, as I spelled out in my testimony, so they both look at Iran in that respect, and then each has its own geopolitical interest in Iran as well.

I'm going to speak for India since that's my area of specialty. For India, it is energy, but it's also to counter Pakistan and Pakistani influence in the region, and this goes back to Indian-Iranian cooperation against the Taliban. They both supported the Northern Alliance in Afghanistan in the late 1990s. Most people don't realize that. But they definitely had a shared interest in containing the Taliban in Afghanistan in the late 1990s.

So there is a historical basis to Indian-Iranian cooperation. Also, India has a very large Shite Muslim minority population in India that it has to consider when it's making policies toward Iran.

That said, I think India is learning, as the U.S. deepens its ties to India, India's learning our red lines with respect to Iran, and I think we saw that in terms of India's votes at the IAEA in both the fall of 2005, and in February 2006, against Iran, and I think they understood how important that was in terms of U.S. objectives in containing Iran's nuclear ambitions.

But I think there certainly has been a learning curve for India on this. In terms of military links, I think those are relatively limited to ceremonial visits. There have been port calls. I think the Indians have done repairs on Russian military items that the Iranians have. So there certainly has been some cooperation there, and I think it will be important for the U.S. to continue to tell India about our red lines and not be shy about that.

We have to let India know because there has been a history of a relationship, but as the U.S. enters a new relationship with India, I think India will have to realize, it will have to take into account U.S. sensitivities and U.S. objectives in terms of Iran's nuclear ambitions, the state sponsorship of terrorism and other policies that certainly don't benefit the world community.

Yes, and just lastly, there have been cases of Indian scientists showing up in Iran that have raised sanctions on Indian individuals, in particular, in the fall of 2005, two scientists. I would note that one of those charges was dropped after I guess it could not be proved that he actually traveled to Iran, but the sanctions stayed on the other scientist. There was some question of whether he was doing work related to his IAEA duties or whether he was surpassing those.

So certainly there remains concern on these issues and the U.S. will have to continually raise them with India, but I think we have seen that India is responding and is learning our red lines.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Mr. Kurlantzick, you want to take the opportunity to respond?

MR. KURLANTZICK: Yes, just briefly. I think those are all fair points, and the only thing I would respond to that is say that I don't think the regional approach right now is working even to maintain the level of China expertise that the United States should have, so there has to be somewhere in between because right now the regional approach is allowing China specialists not to do repeated tours and then not to return to places where China has a priority interest, both economically and diplomatically.

So there may be some middle ground. You should at least be able to have a DAS do a tasking region-wide, definitely in places where China has significant investments, and be able to get competent coherent responses from people in the embassy who have had some Chinese experience in China and some language skills and then have been tasked to places where China has a significant interest.

So perhaps some middle ground, but I think at this point, the regional approach has broken down to the point that you don't really just have the Chinese experience being maintained. It's another issue in terms of more outposts in China. That's U.S.-China bilateral issue.

VICE CHAIRMAN BARTHOLOMEW: Thank you. Commissioner Blumenthal.

HEARING COCHAIR BLUMENTHAL: Thank you. I have a question for Dr. Scobell and Ms. Curtis. Dr. Scobell, we heard a lot of testimony from administration officials and others today where our interests with China do not converge, whether they be the military build-up or threats to Taiwan or issues having to do with democratic governance and human rights issues.

You mentioned that the Chinese are insecure and driven by their insecurity. So I'm wondering what policies the United States could take to exploit those insecurities in order to get the better policy outcomes that we might want in areas where we disagree?

Ms. Curtis, this is a question I get from the Chinese a lot, which is China's rising, India is rising, we're treating the two very differently. We are in a new strategic framework with India, we're trying to get closer, while

we're hedging against the Chinese. Can you explain why we're treating these two countries differently?

Dr. Scobell first.

DR. SCOBELL: That's a very good question. I don't know if I have a very good answer. Because the problem, I see, is it's hard to see how you can exploit insecurity in a specific area to further U.S. goals because that insecurity verges on paranoia and so it's hard to see how to leverage that to achieve a specific goal.

While our interests and Chinese interests are certainly not identical, there is overlap and, for example, where North Korea is concerned, I would say we have different priorities with North Korea, but we both have an interest -- we being the U.S. and China -- in trying addressing the nuclear issue in North Korea. So, because there is an overlap of interest, we are able to cooperate and quite effectively I think through the Six-Party Talks, although there are limits to that, partly as a nature of the beast in North Korea, but partly because our interests are different.

Here's where it gets to a concrete example that gets to the crux of the question that you just asked. For China, North Korea is not so much a nuclear issue as a stability issue. It's right on the border with China. So China is very worried that if there are problems on the Korean Peninsula, it's on the front lines.

The Yalu River is a very porous barrier. And instead of tens of thousands or possibly hundreds of thousands, depending on the statistics you use, of North Koreans trickling into China, you may be talking about millions in a disaster scenario in North Korea.

So here's a prime example where China's concern, insecurity and preoccupation with domestic stability both facilitates action, diplomatic action in furtherance of a U.S. goal, but at the same time imposes, I would say, very clear limits on how far China is willing to go.

HEARING COCHAIR BLUMENTHAL: Ms. Curtis.

MS. CURTIS: Yes. I would just say that the U.S. and India clearly have common strategic goals, strategic interests. The main differences between China and India and I think why the U.S. treats both countries differently--well, there's two reasons--transparency and democracy. You have a transparent system in India. It's a non-hegemonic power. It does want to pursue an independent foreign policy, a multi-directional foreign policy in which it is reaching out to a variety of countries, but by and large supports the same priorities as the U.S. in terms of democracy, human rights, individual rights, peace and stability.

So I think if there is a difference in the way each country is treated, it's mainly because we see where India is going, we see where it's headed, we see that we have many common interests that do go hand in hand, and when we look at China, I would say there's more ambiguity because of the

lack of transparency in what China's strategic intentions are.

So the comfort level is just not the same, I would say in both cases. So I think that is the main issue, and I think I raised, touched on this in my testimony when I talked about the fact that for instance in Nepal when the U.S. and India were both restricting military supplies in order to encourage democracy in Nepal, back in 2005, whereas China was willing to continue to provide military supplies, so there is a willingness I think on China's part to disregard human rights, democracy issues, aid with no strings attached, that the U.S. doesn't do and India doesn't do either.

HEARING COCHAIR BLUMENTHAL: Thank you.

VICE CHAIRMAN BARTHOLOMEW: Thank you. I think I'll take my turn. Thank you to all of our panelists. It's an interesting way for us to wrap up today to think along these lines.

Dr. Scobell, I'm a little surprised on what you said about North Korea and China and its interests in North Korea because it took 12 or 13 years before the Chinese, before it was important enough for the Chinese government to step up to the plate and get involved and make a functioning process.

What do you think was going on through all of those years going back to the 1990s when North Korea was nuclearizing and we needed help and yet the Chinese didn't really bother to do anything?

DR. SCOBELL: Another good question. I think I have a better answer than I did a little while ago. It's a confluence of things that explains that shift from relative inactivity to a high level, high energy activity on the North Korean issue.

One of these trends that I mentioned is a shift from bilateralism towards multilateralism -- not one at the expense of the other but increasing multilateralism plus bilateralism. In contrast, before the mid-'90s, China was very reluctant to get involved in multilateral fora because it felt as if it would lose control, it would be ganged up on, and Beijing had a low level of comfort in dealing in those kinds of environments.

So that's one aspect to this. But what in my view precipitated China's high energy response to the North Korea situation in early 2003 is that they feared that the U.S., it looked at that point that the U.S. was going to be quite successful or extremely successful in Iraq, and then be looking around for another target.

VICE CHAIRMAN BARTHOLOMEW: The Axis of Evil.

DR. SCOBELL: Exactly. And Beijing feared that might be another member of the Axis of Evil, i.e., North Korea would be targeted. And so from China's perspective, the rogue country in 2003, was not North Korea, but it was the United States. Beijing feared what the rogue country might do next. To preempt -- I use that word cautiously, advisedly-- any such instability caused by the United States or otherwise on the Korean Peninsula,

China shifted into high gear to try and manage the situation. In fact, I would argue what the Six-Party Talks is and what Shanghai Cooperation Organization is and what China's involvement in ASEAN and related organizations, what it really is, is using them as management mechanisms.

The Six-Party Talks are not just useful in managing North Korea, but it's also useful in managing the United States. I don't mean anything nefarious involved in here, but it's a very practical manner, and as somebody said a few minutes ago, China takes a very pragmatic approach to diplomacy these days, and it's extremely pragmatic to get the six key players around one table, and including the United States. The talks started in 2003 -- as I said the triggering event was a fear that the United States would take on North Korea in a much more confrontational way, possibly even direct military action, and the Chinese response was to step a bit out of its comfort zone -- to engage in a multilateral fora that included the United States.

VICE CHAIRMAN BARTHOLOMEW: All right. Interesting theory. Commissioner Fiedler.

COMMISSIONER FIEDLER: Thank you. Anyone can answer this question if you can. We've talked today about Chinese economics and trade, Chinese military and security, Chinese--now Chinese diplomacy. I'm interested in any information or insight that anyone can provide about the role of Chinese intelligence services in the service of their diplomacy, their economics, or their security interest, because that's the gorilla that is not being discussed here, and their covert activity, their active operations. Clearly they use diplomatic cover like everybody else does.

What are they doing in furtherance of their national objectives? Anyone? Or is it just a dark academic hole here that nobody has any information on?

DR. SCOBELL: Well, it's not the kind of subject you can talk unclassified, I think.

COMMISSIONER FIEDLER: I would suspect most of you have unclassified information. Maybe you don't because you do more work with the government. I'm looking for unclassified information. The Chinese agents were thrown out of Iran, weren't they? Were they military guys or were they alleged intelligence agents?

CHAIRMAN WORTZEL: The two are not necessarily mutually exclusive.

COMMISSIONER FIEDLER: Mutually exclusive. I am clearly, this is a public forum so I'm clearly interested in an unclassified information or insights. There's got to be something short of classified that can be discussed about the Chinese intelligence services. For instance, what is our knowledge about Chinese state-owned firms in Africa availing themselves of information provided by the Chinese intelligence services in the furtherance of their economic activity?

MR. KURLANTZICK: All I can say is I don't look at Chinese intelligence at all. Maybe I should.

COMMISSIONER FIEDLER: Actually I think that's probably what I'm saying by asking the question, which is we look at our CIA, right. We look at other countries' intelligence services. We're concerned when the French some years ago wired up the first class seats of Air France for economic espionage activities.

Is this really, in the outside of the government world, is this uninteresting to people or?

MS. CURTIS: I'd just make one comment. I don't know that it's uninteresting, but you know it goes back to maybe the transparency issue, and maybe that's why it's so much of a black hole for us in the academic think tank world. It's hard enough to discern what's happening in terms of defense spending and other things that are happening in China. So I guess getting good insight into the priorities of their intelligence services is that much more difficult than it would be say the French, the Indians or anybody else.

MR. SMALL: Yes. I agree with that. I think it's too anecdotal for some of these things to be able to answer your question in an entirely satisfying way. On Burma, for instance, you see the role of Chinese intelligence in setting up a lot of these meetings with the opposition groups, and they've been very active across that border area, and you get all that sort of material coming out.

But to give a broad-brush answer to it beyond some of these bits and pieces in specific instances, we just don't have good enough access to that sort of information.

COMMISSIONER FIEDLER: Let me ask Ms. Curtis an arcane question.

VICE CHAIRMAN BARTHOLOMEW: That one wasn't arcane enough.

COMMISSIONER FIEDLER: I actually didn't think that was arcane at all. Intelligence sources are hardly arcane. The relationship between the Chinese and the Nepalese allows--I know this for a fact--I don't know the number I'm going to give you is correct--for the Chinese security services to enter Nepal, I think ten or 15 kilometers, and the Nepalese to do the reverse of which they have never done.

Do you know if that relationship exists in any other state bordering China?

MS. CURTIS: With any other country?

COMMISSIONER FIEDLER: Yes.

MS. CURTIS: I don't know specifically.

COMMISSIONER FIEDLER: Are you aware of the one of Nepal, what I'm talking about?

MS. CURTIS: Not of the specifics, no.

COMMISSIONER FIEDLER: Is anybody else aware of that? I know it to be true because I know it, I know people who are witness to the Chinese security services coming into Nepal.

CHAIRMAN WORTZEL: I think the Lao border is pretty porous.

COMMISSIONER FIEDLER: It's an unusual relationship.

CHAIRMAN WORTZEL: And I think the Mongolian border is pretty porous.

COMMISSIONER FIEDLER: No, I don't mean porous.

CHAIRMAN WORTZEL: When I say porous, I mean it's sort of--

COMMISSIONER FIEDLER: Officially allowed.

CHAIRMAN WORTZEL: --tacitly nobody objects.

MS. CURTIS: It wouldn't surprise me if, say, in Bhutan it's a similar situation, but I can't say that on authority.

COMMISSIONER FIEDLER: Okay. Thank you. I'm done with arcane questions.

VICE CHAIRMAN BARTHOLOMEW: Actually, now I have a question, very quickly, based on your arcane question which is what is the purpose of them? To allow the Chinese to go and chase Tibetans?

COMMISSIONER FIEDLER: Yes, actually, which is the circumstance under which I have the knowledge.

VICE CHAIRMAN BARTHOLOMEW: Thanks. Commissioner Shea.

COMMISSIONER SHEA: Thank you. This is a slight take on Chairman Wortzel's question. I had an opportunity maybe about six months ago to read your book, *Charm Offensive*, Mr. Kurlantzick, and correct me if I'm misstating its premise. But you basically say in the book and you say in your testimony that China is engaged in extensive public diplomacy effort, extensive effort of participating in multilateral organizations, foreign aid and investment, and cultural exchange in order to protect its power, its charm offensive.

And then you say, as I recall, that the United States basically has fallen short in response to this charm offensive, perhaps because our attentions are diverted elsewhere. Have I accurately, in very summarized form, described the premise of your book or the theory of your book?

Could you please elaborate in addition to putting Chinese experts in American embassies throughout the world, which the chairman didn't care for, but you defended the position very well. Besides that suggestion, could you flesh out some of the other ideas that you would recommend the United States engage in in order to respond to this charm offensive?

And, secondly, for the broader panel, I would appreciate their views. Do you think the United States has inadequately responded to the Chinese charm offensive and what suggestions do you have to beef up our public diplomacy efforts or what should the United States be doing in response?

MR. KURLANTZICK: Thanks. I wasn't trying actually in the book to

show that the U.S.' own failures are because of our failure to respond to China. I think that they started to happen before China became more influential, and in the past, you didn't, since the fall of the Soviet Union, you didn't really have another actor on the world stage potentially as a challenger.

I don't think that there's a direct bilateral correlation like China's cultural influence is rising; the U.S. is falling.

Other things, I think there's a whole list, and some of them have absolutely nothing to do with China, but I think--and some of them already are happening. A reinvestment in public diplomacy, which Karen Hughes had begun, I think could be done in a more effective way than she had done.

A more effective visa regime so that the best students from all over the world don't go not necessarily to China, but they don't necessarily go to London or Sydney instead of the United States. A renewed foreign aid program. This is a debate for a different time, but I'm not a fan of the Millennium Challenge, one that prioritizes other things other than what the United States has prioritized.

What I said about the State Department, but I agree that Secretary of State Rice's just general idea of transformational diplomacy is a good sort of counter or balance because it gets diplomats out into the field and out of Vienna or London.

This is a partisan debate, but some people would say that U.S. policy is hurting its image around the world. I think more broadly some of the outreach in terms of U.S. public diplomacy promotion of some of the things the United States does really well needs to be sustained and done in a more effective way, like, for example, after the tsunami, there was a very effective military response. It won a lot of hearts and minds. There was very little effort to then build on that in the long term in terms of building the type of public diplomacy that would have capitalized on that.

So you had, for example, in Indonesia, a kind of short-term, very reasonable response to seeing the U.S. exert an enormous amount of aid that China completely cannot prepare, but there was very little sustained response to capitalize on the goodwill that's there. So some of the things that are limiting the United States public diplomacy around the world came back to the fore.

I could go on for like 15 minutes. That's enough.

COMMISSIONER SHEA: Any others have some comments?

DR. SCOBELL: I think they're very sensible recommendations. I grew up overseas. I grew up in Hong Kong, and I just remember the United States Information Agency had a fabulous cultural center, and it was the best PR you could imagine, and unfortunately we've scaled back on that, and I think, and this goes far beyond this to the War on Terror. You've got to use all the instruments of national power including soft power, and it's actually

one area that I think we do very, very well at, especially compared to China.

When you take, for example, the establishment of Confucius Institute's Beijing initiative is actually a brilliant idea. The implementation is a bit uneven and uncoordinated from what I can tell, but the United States can do a heck of a lot more effective job because basically we have a better product to sell.

MR. KURLANTZICK: I was just going to add one specific note to that. I actually think that the idea of the centers that USIA used to have, some of them are still there. The problem is I think not so much as there aren't as many, but more that they haven't adapted to the modern age. So they're still very effective in a place like Burma where most people really don't have access to free media and even good books that they can't buy.

So people do really swarm the U.S. embassy's cultural center because it is that. But in other places like the Philippines or somewhere else where you don't need to go to the U.S. embassy cultural center to get good free media, they haven't adapted to the kind of idea of responding to a 21st century what a cultural center should provide.

MS. CURTIS: Yes, just to emphasize how the U.S. needs to be engaged diplomatically beyond the War on Terrorism issues. I focus on South Asia so a lot of focus on War on Terrorism. That has to be first and foremost, of course. But we have to go beyond that. We have to engage with the countries on the issues that they're interested in: energy, education, a whole range of issues.

We have to be willing to sit down and just engage diplomatically. I think Americans tend to be more impatient in that respect, but I think it's very important. Just the handshakes, the discussions and engaging on issues that are important to them in the region. So it has to go beyond the counterterrorism objectives and it has to be understood that we're not just a one-policy focused nation. That we're able to engage on a whole host of issues throughout the different regions.

MR. SMALL: One very brief point which relates particularly to the rogue states issue, and it's one that Josh often makes as well. Just the U.S. attention to these regional organizations and the willingness to engage with these organizations may often be seen as ineffectual. When it's coming to building a kind of wider consensus for policy towards some of these problem states, for instance, and, in turn, in getting the Chinese to take a more constructive and cooperative role, being able to square a SADC and an AU and ASEAN on these issues, I think is actually worth the symbolic diplomatic energy. And interviewing U.S. ambassadors around these countries, there's an understandable reason to dismiss some of these organizations and the value of doing that.

But I think when it comes to building a wider international consensus on policy towards some of these rogue states, for instance, making them into

genuine pariahs--and taking into account Chinese willingness to defer to some of these organizations and to put the energy into dealing with these organizations, I think it's important for the United States to do more of that.

VICE CHAIRMAN BARTHOLOMEW: Thank you.

COMMISSIONER SHEA: Thank you.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Brookes.

COMMISSIONER BROOKES: Thank you very much. Thank you for your testimonies. It's a special pleasure to welcome a colleague, Lisa Curtis, here today. Thank you, Lisa. You kind of stole my thunder on public diplomacy, but that was a very good question, and they did a terrific job of answering it.

I do have a question for Mr. Small, if I could. You made a comment early on, if I heard you correctly, regarding China's policy of noninterference in internal affairs of other countries, and you said that it was heavily caveated and some Chinese scholars and even maybe Chinese government officials had said that it was time to relook at that.

Can you talk a little bit more about that debate? I'm unsure what you meant when you said caveated, if you meant in terms of specific countries or what, but I'm very interested in where you think about that debate; where that debate is, and where that debate might be going? Thank you.

MR. SMALL: Sure. I think the interest has obviously been there among the intellectuals. The degree to which it's now there among officials is absolutely clear. I think they've seen that a strict sort of notion of noninterference is an unsustainable line to take.

The question has been really this one of (a) under what conditions interference is warranted; and (b) exactly what is the nature of China's interference if it is to interfere, and is there some way of kind of getting a gradation between the sort of role that China has been trying to take in these sorts of countries while still being able to maintain some sort of claim that China doesn't interfere and these sorts of things?

One of the distinctions that you hear some academics and diplomats trying to make at the moment is between interference and this kind of good offices role, which is the more generous way of talking about the diplomatic arm twisting and, frankly, interference that's been taking place in these countries by China. But it's something that they're starting to look at: distinguishing between those two concepts for instance, because they're still leaning obviously very heavily on being able to get government consent.

Even when there is some level of interference in terms of leaning on these governments, the aim is to do that at a bilateral level and reduce the degree to which there's multilateral pressure by means such as sanctions or even more coercive intervention.

The aim is tending to be that China should, one, be able to maintain some sort of public line on noninterference, but in private China should use

its bilateral influence over these governments to persuade them that it's in their interests to take these sorts of steps.

The other point, of course, was mentioned earlier on. It's very hard to maintain a public line when China is stepping in and doing the sorts of things it's doing in Burma, convening the armed ceasefire groups outside the country to try to persuade them to give up their arms. It's very hard to maintain the case that that's anything approaching noninterference.

I think there's still, at the moment, a willingness to have a sort of semi- sort of hypocrisy about it and pretend that this 'non-interference' is going on and just do all these things in private. But I think it's still under debate, and I think the debate has become quite evolved now, even among the diplomats about what sort of preconditions there should be for intervention--government consent, U.N. role by preference, and some of these sorts of issues.

I wouldn't be surprised if there wasn't some sort of new concept coming out that would be formally enunciated within the next year or so when they've actually come to some sort of new language around this because they've been batting it about internally for a while now.

COMMISSIONER BROOKES: Let me follow up there. That's very interesting, but in your view, how does that intellectually undermine their noninterference policy as they apply it to themselves; where they say since we don't interfere in the internal affairs of other countries and no one else has a right to interfere in our internal affairs? Does that every come up in the debate at all?

MR. SMALL: Funny, I think when you look at for instance, the gathering that took place in August 2006, the Central Work Meeting on Foreign Affairs, if anything, I think there was a recognition there that there was more legitimate expectation from the external world about internal affairs in China as well, and that that was something that a more interconnected China had to take more account of.

So I think that although what you will probably have is sort of a great power hypocrisy position where they will be able to maintain this line, a more sort of interfering approach externally than they're really willing to permit internally.

I think they're sort of admitting the fact that in practice, there is more of a sense of the degree to which internal affairs in China now have tremendous impact around the rest of the world, which means that the rest of the world has a more legitimate interest in coming in on these things.

Just one further thing I forgot to mention in the first list. Another aspect that they're trying to distinguish, as far as I can see, is the distinction between a sort of Sudan-type issue, a Darfur-type issue, where you have an 'internal affair' which then explodes across borders, turns into an entirely destabilizing issue across the entire region. What they're accepting is, at the

same time, you need to step in early to deal with this.

It's no use pretending it's an internal matter, refusing to deal with it, and then waiting for the region to go up in flames. If there's something going on inside a country that they think could be a destabilizing international factor, I think that's another thing that they're kind of batting around at the moment in terms of where preemptive sort of steps, international involvement might be justified.

COMMISSIONER BROOKES: If you would keep us advised of that, if you see any changes, the Commission would greatly appreciate it. Thank you very much for your time and your answer.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Mulloy.

DR. SCOBELL: May I just add one--

VICE CHAIRMAN BARTHOLOMEW: Sure.

DR. SCOBELL: I think it's a very interesting question and issue, and I think it's tied up intimately with Chinese understandings of sovereignty. Sovereignty has been sort of tended to be an ironclad rule: China protects its sovereignty completely and other countries do, too.

What you've seen as a result of globalization and learning on the part of China is a more sophisticated and nuanced view of sovereignty. That's especially true on the economic side of things so I think that feeds into the question you were discussing.

VICE CHAIRMAN BARTHOLOMEW: Dr. Scobell, we had a hearing on that very issue, Chinese notions of sovereignty.

DR. SCOBELL: Okay. Sorry.

VICE CHAIRMAN BARTHOLOMEW: Three weeks, two weeks, three weeks ago so you're doing a nice job of keeping us linked thematically.

Commissioner Mulloy.

COMMISSIONER MULLOY: Thank you, Madam Chairman. Thank you all very much for being here and your very helpful testimony, which I read with a lot of interest.

I'm going to ask a question to Dr. Scobell, and then if other people want to comment on it, I'd appreciate it. Dr. Scobell, you say there are three central motives driving Chinese diplomacy. The first is to ensure stability at home. Dr. Friedman expands on that a little bit, and he says that they're really after maintaining the CCP's monopoly of authoritarian power in China. Do you understand that the same way, that stability at home means keeping the party in power?

DR. SCOBELL: Yes.

COMMISSIONER MULLOY: Okay. So that's it. Authoritarian, not moving toward democracy or anything, keeping the CCP in--

DR. SCOBELL: Well, that's the key part of it, but not quite that simple because Chinese leaders today are much more sophisticated in their understanding of what constitutes stability at home and continued one party

rule.

I think they recognize that there's a lot that feeds into that, and keeping the economy moving is one, and showing some degree of flexibility in what they might call democracy but what we probably wouldn't call democracy, more liberalization, more openness, and in short the appearance of a more accountable government, i.e., things like cracking down on official corruption.

So, yes, but China's leaders recognize it's not simply a matter of knocking heads and throwing people in jail. It requires maintaining their control, requires much more sophisticated efforts.

COMMISSIONER MULLOY: Secondly, their goal is to maintain cordial relations with the United States, and I presume, as you elaborated a little bit, because they have an enormous economic benefit from maintaining good relations with the United States. Is that an important consideration?

DR. SCOBELL: Yes.

COMMISSIONER MULLOY: Yes. Okay. And then, three, to raise China's stature in the world. Now, there was an earlier witness, Dr. Malik, who said that their focus is on acquiring comprehensive national power, that they become a global great power that is second to none. Is that what you mean by raising their stature in the world? Do you agree that that's where they're headed or would like to be headed?

DR. SCOBELL: Probably long term, that's probably their goal, but for right now, they recognize that the United States is the global hegemon, and that the U.S. position is unlikely to change in the near term. For the foreseeable future, it's beneficial to China overall to have the United States in that role, and so it behooves them to work, have a cordial relationship, as you said, and try and work with the United States on a whole host of issues including economic.

COMMISSIONER MULLOY: Does anybody else want to comment on those three points--stability at home, cordial relations with the United States, and raising their stature in the world--and the way we discuss each of those three points? Yes.

MS. CURTIS: Just the protection on the Tibet and Taiwan issues, and I'm thinking mainly in terms of India-China border issues and the importance in how it deals with India in maintaining its position on Tibet, which of course has a lot of salience right now with what we see happening in Tibet.

So I think that's also part of its foreign policy when you're talking about bilateral relationships with countries.

DR. SCOBELL: I think as I say in my written testimony, I think Taiwan really is a theme that runs through all three of those. It's related, intimately related to each of those three motives.

COMMISSIONER MULLOY: All right. Thank you, Madam Chairwoman.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Slane.

COMMISSIONER SLANE: Yes. Of course, I also want to thank everyone for coming. We really appreciate your time. Dr. Scobell, to play off Commissioner Mulloy's point about the domestic security, it seems to me that the split, the chasm between the have's and the have-not's in China is getting wider.

Do you see that as a time bomb? Do you see that as, is China going to be able to manage this disparity?

DR. SCOBELL: A very good question. If China is very much preoccupied with challenges at home, then why is China so actively involved around the world? That's what I've tried to explain.

China's leaders are very much focused on addressing the kinds of inequalities you just mentioned. That's very clear, and I think a reading of speeches by Chinese leaders and official documents, you see that reflected: How do we address these inequalities? How do we balance growth in lands with coastal development? How do we ensure the, increase the loyalty to the Communist Party, and deal with what the Chinese call "terrorism, separatism, and extremism" in places like Xinjiang? They believe that one way to address that is through expanding economic opportunity and economic development. So they've thrown a lot of money into projects that they hope will improve economic opportunities in those areas that you mentioned.

But the jury is still out on how successful they will be because the range of challenges is so great and it's such a large country, that it remains to be seen how successful they'll be. But what is important to recognize is that China's leaders are very focused on dealing with those problems.

COMMISSIONER SLANE: I have a question for Ms. Curtis. Bhutan complains about incursions by Chinese military into their territory. Is that about Tibet or what is happening there?

MS. CURTIS: I think it does relate to Tibet and just its overall insecurity over the Tibetan issue, and I think if you look at that region that you're talking about, India is also--one thing that's interesting, over the last couple of years, I think we have seen that driven by its insecurity over the Tibetan issue, and I think also its insecurity over U.S. overtures to India, particularly the civil nuclear deal, China is toughening its position in its border talks with India, and particularly over the Tawang district which is right there, the border with Bhutan.

It's part of India, part of the state of Arunachal Pradesh, but it's also Buddhist, it's an important Buddhist area that China wants to have in order to have a stronger case over its hold over Tibet. So we've seen that they have increased pressure on India to cede that area to China and India has demonstrated that it's a non-negotiable position, that in its view, it signed an agreement with China saying that any populated areas, there will be no

territorial exchanges.

So it sees that as nonnegotiable, and we see India starting to sort of stand up to the Chinese assertions. Prime Minister Singh visited the area, talked about development projects for the area. India is even reinforcing troops in some of these areas. So there's a lot of activity happening in terms of the border issues, the China-India border issues, and I think that's because of China's interest in Tibet and what it's trying to do there.

I think the current situation is going to be rather complicated between China and India. I think, on the one hand, India will want to not antagonize Beijing, but at the same time there's pressure from particularly the opposition in India, the political opposition in putting pressure on the Indian government to be awake to what China is doing on the border.

So the Indian government is going to have to balance this, not wanting to antagonize China, but not wanting to look weak either and have that be exploited, and they will remember the 1962 border war. So I think these incursions into Bhutan, India is very concerned about in particular, and I do think it relates to Chinese insecurity over the Tibet issue, and it's something that we're going to have to watch very closely over the coming months and years.

COMMISSIONER SLANE: Thank you.

VICE CHAIRMAN BARTHOLOMEW: Commissioner Esper, last but not least.

COMMISSIONER ESPER: Thank you very much. We have spent all day talking about China's foreign policy, its goals and its behavior, and how we can shape it. So I'm going to try to turn the topic on its head here in the last few minutes.

Arguably, if China had a different form of government, we wouldn't worry as much about its goals and behavior. So let me ask you this. Should the United States be adapting its policy and applying pressure to try and shape the form and nature of China's government and push it more towards democracy, and if so, how? And I ask that to any one of you that wants to try and take that on.

VICE CHAIRMAN BARTHOLOMEW: For here or for the record?

COMMISSIONER FIEDLER: Or would you rather deal with the intelligence service question?

DR. SCOBELL: I thought that was what we were trying to do. I thought that was the assumption underlying U.S. policy toward China.

COMMISSIONER ESPER: You bring up a good point because for many if not most countries of the world that don't have a democracy, one of our fundamental goals is to push them towards democracy, sooner rather than later, but we don't hear that talked about much with regard to China.

DR. SCOBELL: Let's put it this way. The funny thing is that China's leaders believe that that's our policy and they have a term for it, and they

call it "peaceful evolution." They see it as a threat, that part of our long-term plan is to undermine and overthrow communism in China, and in a sense they're right. Getting specifically at your question, I think where they have it wrong is they are convinced that the United States has an incredibly brilliant plan that Washington is putting in place. So, to answer your question, we need a better plan.

COMMISSIONER ESPER: Unless I'm wrong, I believe our theory has principally been that if we push China to liberalize economically, economic freedom will eventually drive political freedom, and political evolution will occur. But many experts would say we haven't seen much of that happen. We haven't seen the political evolution occur as the economic liberalization has taken place. So, again, do any of you have thoughts on this?

DR. SCOBELL: James Mann wrote a book called *The China Fantasy*. It's a pretty thin book. Nevertheless, the author has an important point. However, at the same time, we shouldn't underestimate the political changes that have taken place in China.

There has been significant progress, certainly not enough to satisfy any hard-driving America policymaker or human rights activist or pro-democracy activist, but it has been significant, and even though the terminology may be used in a very different way, the fact that Chinese leaders are talking about democracy being important is remarkable in and of itself.

Now, as I said, what they mean by democracy and what we mean by democracy are rather different things. But, so I don't think we should, as I said, underestimate the changes, the political changes that have occurred and continue to occur, albeit at a much more gradual rate than we would like.

MR. KURLANTZICK: I agree with some of that although I would say the fact that they're mentioning democracy is more a symbol, that over the past ten to 15 years, that there are all sorts of authoritarian regimes that have begun to realize that it's in their interest to present a more effective democratic facade. It's not just China. It's why countries like Kazakhstan have elections even if they're not real elections; it's why they engage in a pushback against democracy organizations while simultaneously holding elections.

I think there's just become this idea that as long as you hold some sort of facade or at least get into the idea, whether you call it sovereign democracy like Putin does or what China's leaders talk about, it gives you some breathing space.

I'm not sure that we should necessarily interpret that as a signal, but I would also just say one thing. I think one of the things we've gotten away from, it's not just China, but the U.S. used to more directly address very high-profile individual human rights cases which put more pressure because they were specific people, and the Chinese did sometimes respond to those,

and that has been largely abandoned.

COMMISSIONER ESPER: Ms. Curtis or Mr. Small, any thoughts?

HEARING COCHAIR BLUMENTHAL: Regime change or not?

COMMISSIONER ESPER: Democracy-promotion, hastening.

MS. CURTIS: Yes, just to emphasize Mr. Kurlantzick's point about raising human rights cases and continuing to raise these issues because in the promotion of economic liberalization, economic globalization, perhaps there has been less willingness to raise some of these important issues that would help to spur political liberalization like you said. So I think it's a fine balance without making China feel isolated, but at the same time just continuing to raise these issues which we think are fundamentally important to society.

VICE CHAIRMAN BARTHOLOMEW: Go on, Mr. Small.

MR. SMALL: Just very briefly. I read reams of Chinese material around 2005 on the color revolution stuff, and the sheer sophistication of the counter-color revolutionary tactics that were being developed against all these democracy promotion organizations and the shutting down of a number of entities on the Chinese side around that time.

I was in Beijing for the entire period and the level of paranoia when they felt this was happening to any degree and the consequences, not just internally, but a lot of the stuff that we're talking about in 2005 with Zimbabwe, Karimov, all these sorts of things, were a direct consequence of the sheer level of paranoia that existed at that time about this forward movement of democracy stuff.

I think they've just gotten much better at preventing a lot of these things internally even than they were before, and if one had a good answer to the how, then I think I would answer whether one should, but I think it's got tougher.

COMMISSIONER ESPER: Okay. Thank you.

VICE CHAIRMAN BARTHOLOMEW: Thank you all very much. A really interesting panel. I'd like to acknowledge the work of the Commission staff, Marta McLellan, in putting this together. She did a terrific job. It's been a very interesting day and we look forward to having continuing contact with you all.

Thank you very much. And with that, we're ending for the day.

[Whereupon, at 5:00 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Statement of Dr. Ellen L. Frost, Visiting Fellow, Peterson Institute for International Economics
Adjunct Research Fellow, National Defense University.

CHINA'S IMPACT ON REGIONAL INTEGRATION IN ASIA

Statement of Dr. Ellen L. Frost
Visiting Fellow, Peterson Institute for International Economics
Adjunct Research Fellow, National Defense University
Submitted to the China Economic and Security Review Commission

March 18, 2008

China's emergence as a manufacturing powerhouse and the opening of its huge market have altered Asia's strategic landscape far more profoundly than its growing military expenditures.¹ At least two consequences of this transformation are region-wide in nature. One is the proliferation of China-centered production networks and a corresponding increase in economic interdependence, or *regionalization*. Another consequence is the strategy adopted by other Asian governments to fully engage China, which has contributed to the deepening and partial institutionalization of Asian *regionalism*.

In this statement I will address each of these impacts and touch briefly on their implications for U.S. policy.

The Growth of China-Centered Production Networks

In recent years Asia's intra-regional trade has grown at a faster rate than global trade and has now almost reached intra-European levels. Intra-Asian investment, spearheaded by Singaporean and Taiwanese companies, is also on the rise. China's transformation from economic autarky to openness provides substantial impetus to both developments.

¹ This statement is adapted in part from Ellen L. Frost, *Asia's New Regionalism* (Boulder, CO: Lynne Rienner Publishers, 2008). It reflects my personal views only and not those of any organization.

An observer from outer space who was ignorant of national boundaries would notice that this thriving economic activity is heavily concentrated in Asia's maritime regions. In my just-published book, *Asia's New Regionalism*, I argue that we are witnessing the resurgence of a centuries-old, pre-colonial, "Maritime Asia" – the sweep of coastal zones, port cities and towns, and inland trading nodes situated on ocean-accessible rivers. In centuries past, Maritime Asia formed the eastern end of the great trading chain that stretched from Venice to Japan. It now includes coastal Australia, energy-exporting regions of the Russian Far East, and southern and coastal India.

China illustrates this maritime concentration clearly. An estimated ninety to ninety-five percent of foreign direct investment in China goes to ten provinces, of which nine are located along the coast and the tenth spans an ocean-accessible river. This clustering is characteristic of other parts of Asia as well. In fact, maritime activity is a driver of Asia's new wealth: the world's six biggest ports are all located in Asia.

The near-total liberalization of trade in information and telecommunications technology and products is closely associated with the surge in intra-Asian trade and investment. Parts and components make up the fastest-growing product category of traded goods in the region. They account for roughly a quarter of both Asian exports and imports, compared with 16-18 percent ten years ago.

The dominant structural feature of Asia's growing wealth is the proliferation and expansion of China-centered production networks. Pioneered by Japanese producers, these networks now include the world's biggest multinational companies. Networked producers take advantage of lower transportation costs, advanced manufacturing technology, and sophisticated supply-chain management. Labor costs are a factor in

management decisions, but so are the availability of skilled workers, modern infrastructure, access to ports, and other competitive assets.

China has proven to be a highly favorable locale for final-stage production and assembly. It is estimated that half to two-thirds of Chinese exports are sold by foreign-invested enterprises either alone or in partnership with a Chinese firm. A similar proportion of imported materials and parts go into their production. For both of these reasons, the label “Made in China” is misleading.

As Asians struggle to find their competitive niche in China-centered production networks, governments face pressure to carry out economic reforms and companies are driven to enhance their productivity. Over time, a rough division of labor has emerged. A World Bank study published in 2003 found that Japan was the source for about a third of all regional exports of components for assembly; another 50 percent came from Taiwan, the Philippines, and South Korea.² High-technology parts and components tend to come from Japan and South Korea, with the rest from various parts of Asia. Manufactured goods now constitute a rising proportion of Asian exports to China. And China itself is moving up the technology ladder.

Another source of ballooning intra-Asian trade and investment is China’s rising demand for minerals and agricultural raw materials. Australia has reaped special benefits from China’s growing appetite for these products. Australia now sends a higher percentage of its exports to Asia than any Asian country. Energy is a partial exception to the pattern, because China’s dependence on Middle Eastern oil is growing, but Chinese energy companies are actively developing Asian sources of energy as well.

² Francis Ng and Alexander Yeats, “Major Trade Trends in East Asia,” Working Paper No.3084 (Washington, DC: The World Bank, 2003), pp. 56-57..

China's star performance as a manufacturing hub has created new webs of dependence. China is now the number-one or number-two trading partner of virtually all the countries in East Asia. Many Asian governments might well conclude that the US market is less important than the Chinese market. But this would be a mistaken perception, because for many products China is only a stopping point rather than a final destination. Individual countries are more dependent on China than China is on them, but China still relies heavily on Asian countries as a group for imports and on North American and European market for both imports and exports. In other words, dependence is a two-way street.

The Asian Integration Movement

The economic integration described above is spontaneous and market-driven. By contrast, the drive toward closer integration – or “community-building,” as Asian leaders like to call it – is government-driven and largely confined to elites. The main drivers are the five founders of the Association of Southeast Asian Nations (ASEAN) – Indonesia, Malaysia, the Philippines, Singapore, and Thailand (the “ASEAN 5”).

Beginning in the 1990s, led by the ASEAN 5, ASEAN members have spun a series of concentric organizational circles dedicated to closer integration. Closer integration within ASEAN itself remains a goal, but the 2001 report of the “East Asia Vision Group” sketched three wider Asian communities: economic, security, and socio-cultural. The circle known as “ASEAN + 3” (the 10 members of ASEAN plus China, Japan, and South Korea) is most active, but an annual “East Asia Summit” now includes

India, Australia, and New Zealand as well. “East Asia” has become a political construct rather than a geographic expression. In my book I call it *Asia Major*.

Asian governments have many motivations for seeking closer integration. Among them are the growth of regionalism elsewhere in the world, the Asian financial crisis of 1997-98, and the desire for a stronger voice in global institutions. But another powerful motive is the desire of Asian governments to maintain national autonomy and security in the face of an increasingly powerful China -- while at the same time tapping into China’s burgeoning market.

Rather than forming a coalition against a rising China, as a crude version of “balance of power” theory would suggest, ASEAN governments seek to embed China in a web of agreements and obligations. Using such instruments as the Treaty of Amity and Cooperation and a “code of conduct” governing the resolution of maritime boundary conflicts in the South China Sea, they have at least partially institutionalized ASEAN norms. These include non-interference, equality, respect for sovereignty and territorial integrity, and the peaceful resolution of disputes. At the same time, they have followed a hedging strategy by (1) encouraging the participation of India and Australia, thereby setting up a diplomatic competition; and (2) maintaining or strengthening their military ties with the United States.

Although Chinese leaders are said to be unenthusiastic about Asian regionalism per se, Beijing has responded positively to ASEAN’s calls for closer integration. This shift is part of a larger reorientation of Chinese policy that occurred in the mid-1990s. Until then, China had been a wary and suspicious outsider, mistrusting multilateral organizations and preferring to deal bilaterally with other Asian governments. Just before

the crisis, China had conducted provocative missile tests near Taiwan and seized a reef in the South China Sea. Those actions provoked a strongly critical reaction from other Asians and coincided with a broad strategic reappraisal by the Chinese leadership. That review resulted in an emphasis on a peaceful regional environment to support Beijing's number-one priority, economic modernization. This assessment included, or was at least consistent with, a more supportive approach to Asian integration.³

Accordingly, Chinese diplomats have gone out of their way to stress China's peaceful intentions. Chinese diplomats attend all ASEAN + 3 meetings and study groups and participate tactfully and constructively. More importantly, Beijing has settled almost all of its land-based territorial disputes and put maritime border disputes on the back burner. As Bronson Percival observes in his new book, *The Dragon Looks South*, Chinese behavior could be described as an example of Southeast Asia's "soft power" (peaceful norms) influencing China, contradicting the common assumption that there is a one-way flow of "soft power" from China to other parts of Asia.⁴

Trade agreements are especially useful tools of Chinese diplomacy in Asia. Shortly after the financial crisis, Beijing offered to negotiate a preferential trade agreement with ASEAN as a group. This offer appeared both generous and symbolic of China's new status as a power in Asia. Major infrastructure projects, financed and built without conditions, are also seen as a welcome change from conditions imposed by Western donors.

³ See David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29:3 (2004-05), pp. 64-99.

⁴ For a nuanced analysis of "soft power," see Bronson Percival, *The Dragon Looks South* (New York: Praeger International, 2007), Ch. 7.

In retrospect, the Asian financial crisis of 1997-98 proved to be a diplomatic windfall for the Chinese. Following on the heels of Beijing's strategic reappraisal, it offered China a highly visible opportunity to put its "good neighbor" policy into action. For example, China did not devalue its currency and offered various "early harvest" trade and tourism opportunities to bolster struggling Asian economies. Asian leaders still recall that the United States did nothing to help Thailand or Indonesia only three and a half years after it had extended support to Mexico in a similar crisis. Moreover, the United States was closely associated with austerity measures administered by the International Monetary Fund, which some believe were too harsh (in Indonesia's case, at least). China came out of the crisis looking good.

China's goals are not limited to maintaining a stable regional environment, cultivating a friendly image in the region, and taking advantage of US inattention. Others include keeping Taiwan politically isolated and firmly wedged into the "domestic affairs" closet, and subtly marginalizing Japan.

So far, Chinese diplomats are evidently succeeding on both fronts. On the question of Taiwan, other governments have largely gone along with China's demands. Thanks to Beijing's intransigence, Taiwan is not permitted to attend formal meetings devoted to Asian integration and is officially invisible. Asian governments seem to accept China's argument that Taiwan is a domestic issue. At the same time, Taiwan participates actively in the regional economy of Asia Major. Roughly 18 percent of Taiwan's exports go to China, amounting to 6 percent of China's imports. Investment across the Taiwan Strait has grown exponentially, especially in the all-important information technology sector. Taiwanese experts estimate that roughly 70 percent of Taiwan's foreign direct

investment goes to the mainland, including all but the high end of its electronics industry.⁵ As many as 1 million Taiwanese, almost 5 percent of the population, live and work on the mainland.

As for Japan, China is also making gains. Japan has enormous assets: technology, business and financial skills, a highly educated population, and various forms of pop culture that are fashionable throughout Asia. But Tokyo's influence in Asia adds up to less than the sum of these assets. Apart from meetings on financial integration, where Tokyo is firmly in the lead, Beijing has nudged Tokyo to the sidelines—a task made easier by Japan's own barriers to effective leadership.

Looking ahead, I see no reason to expect any near-term or even medium-term changes in China's policy toward Asian regionalism. Despite their ongoing frustration over the status of Taiwan and the perceived threat of US "encirclement," Chinese leaders continue to have a huge stake in regional peace and stability. As politicians, they know that the legitimacy of continued one-party rule in China depends almost entirely on satisfying rising economic expectations and hence on economic growth. As nationalists, they have harnessed their drive for prestige to economic engagement in Asia as well as in the global economy. They know that without a peaceful and stable neighborhood, they will be unable to become an even stronger economic power. As strategists, they realize that without national wealth, they will be unable to modernize their military forces. As economic realists, they are well aware of their need for foreign technology and management expertise.

⁵ Interview with economists at the Taiwan Institute of Economic Research, Taipei, December 2005.

Implications for U.S. Policy

The balance of power in Asia is stable and favors the United States, but the balance of influence is tilting in favor of China. By focusing so heavily on antiterrorism, nonproliferation, and the Middle East, and by its failure to participate actively in regional diplomacy, Washington has largely excluded itself from the delicate dance of integration politics. If this trend continues, nothing drastic will happen, but over time the US voice will slowly lose influence. Given US stakes in Asia, this would be unfortunate.

On balance, the United States has nothing to fear from Asian regionalism and much to gain from more active participation in regional diplomacy. China's commercial diplomacy, expressed through preferential trade agreements and large infrastructure projects, wins hearts and minds but does not seriously challenge America's competitive strengths. There is no danger that Asian governments will form a protectionist "Fortress Asia." (A corresponding fear of European integration also proved groundless.) Asian leaders know that their success to date is a product of global engagement. Every serious economic study confirms that Asian economies would benefit far more from global trade liberalization than from an Asian-only enclave.

As for security, China's role in Asia's regional politics has been constructive for more than a decade. China's huge market gives it implicit leverage, but apart from one episode in 1998, Beijing has made no effort to persuade other Asians to loosen their security ties with the United States, let alone drive American forces out of Asia. The US Pacific Command is deeply and constructively involved with Asian military establishments (including China's). The technological sophistication of US forces and the frequency of joint exercises and training are huge assets. Moreover, the participation of

Japan, South Korea, Australia, Singapore, and now India in regional integration initiatives sets up a subtle form of balancing in which any overtly anti-American moves on China's part, already unlikely, would be resisted.

What needs correcting in US policy towards Asia is more political and symbolic than substantive, and more regional than bilateral. Most high-level US officials devote little serious attention to the Asian integration movement. They see the integration movement as merely a "talk shop." They are impatient with process and dialogue. They see challenges in Asia that Asian governments are not addressing effectively. US engagement with Asian regionalism chugs along at a working level, and some serious initiatives have been launched (e.g., education in Indonesia). But high-level US government appointees have little time to think about Asian regionalism. They are preoccupied with more immediate challenges, notably the war in Iraq and violence elsewhere in the Middle East, the development of nuclear weapons in North Korea and Iran, and the struggle against terrorist groups.

The huge cost of the Iraq war is especially detrimental to US foreign policy in Asia. It severely constrains the availability of US diplomatic tools. It is forcing civilian agencies to absorb budget cuts, trim travel expenses, and postpone the staffing and implementation of initiatives that would help restore America's image, such as more grants for education and research. Although the United States is still a magnet for students and job seekers, fewer educational and travel opportunities are available to Asians than in the first few decades after World War II. After September 11, it became more difficult for Asians to get a visa. These trends undercut US influence.

Compounding the Asian perception of US neglect is the widely shared opinion that the Bush administration overreacted to September 11, dwelt excessively on antiterrorism and US-centered “homeland security,” engaged in tin-ear moralizing instead of listening, focused on sanctions to discourage nuclear proliferation while downplaying Asians’ other security concerns, and otherwise limited its leadership initiatives to its own narrow interests. US policies in the Middle East play particularly badly in Southeast Asia, where one country alone – Indonesia – contains more Muslims than the entire Middle East.

Fortunately, reversing perceived US neglect and engaging more actively in Asia’s regional diplomacy will not be difficult, especially if expenditures in Iraq can be significantly reduced. The competition with China is not zero-sum and should not be approached in a hostile spirit. The first step is to pay attention -- and listen rather than preach.

There are plenty of opportunities to rectify the tilt in the balance of influence, few of which cost money. For example, the United States can re-engage with ASEAN at the head of state level; sign the Treaty of Amity and Cooperation; step up region-wide commercial diplomacy by floating a free-trade agreement with ASEAN as a whole; revitalize high-level US support for APEC; contribute to infrastructure development and other improvements in Maritime Asia, especially in poorer countries; continue to work constructively with China and others to tackle common challenges; extend more scholarships; and take other measures reflecting the importance of this region.

Washington should not overreact to its exclusion from pan-Asian organizations; Americans do not need a seat at the table. Far more important is a coordinated regional

strategy that brings into play all US assets, not just military ones. Such a strategy should accept the resurgence of China as a legitimate Asian power, build on its constructive aspects, and lay out a comprehensive roadmap for engaging peacefully in the competition for influence.